

DHHS Manual
for
Recipients Financed Under the
Payment Management System (PMS)



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Department of Health and Human Services
Program Support Center
Financial Management Service

The Department of Health and Human Services Manual for Recipients describes the processes and reporting requirements for obtaining Federal cash through use of the Payment Management System.

This manual will provide you, the grant recipient, with the information needed to obtain cash utilizing the several methods supported by the Payment Management System. It will introduce you to disbursement reporting and reconciliation requirements and provide information on audits.

The Division of Payment Management, which operates within the Public Health Service, Office of the Assistant Secretary for Health, is responsible for operating the Payment Management System and maintaining this manual. Questions and comments regarding the manual should be addressed to:

Director, Division of Payment Management
DHHS/PSC/FMS
Box 6021
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Program Support Center
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The following statement is required by the Office of Management and Budget's revised regulations at 5 CFR 1320.21 and is applicable to the PMS 270 and PMS 272 Forms contained in the PMS Recipients User's Manual.

BURDEN ESTIMATE STATEMENT

The Public reporting burden for the PMS 270, Request for Advance or Reimbursement Form described in Chapter II is estimated to vary from ten to twenty minutes per request, with an average of fifteen minutes per request. The Public reporting burden for the PMS 272, Federal Cash Transactions Report described in Chapter IV is estimated to vary from one to eight hours per response, with an average of four hours per response.

The burden OMB estimated hours are based on the premise that recipients financial management systems meet the prescribed standards and include time for reviewing instructions; searching existing data sources; gathering and maintaining the data needed; and completing and reviewing the collection of information.

Send comments regarding this collection of information, including suggestions for reducing this burden to:

PHS Reports Clearance Officer
Rm. 721-B
Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201

Attention: PRA

and to:

Office of Management and Budget
Paperwork Reduction Project 0937-0200
Washington, D.C. 20503

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CHAPTER I: PAYMENT MANAGEMENT SYSTEM - BASIC FUNCTIONS

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100 PURPOSE

The purpose of this manual is to provide recipients that are paid through the Payment Management System (PMS) with operative guidance and instructions to ensure uniform adherence to applicable Federal regulations and DHHS grant award terms. The manual is also intended to help recipients understand their responsibilities in expediting payments, completing required reports, and controlling Federal cash received through PMS. The information, guidance, and instructions set forth in this manual are designed to improve communications between recipients and the Division of Payment Management (DPM), the organization responsible for operating this centralized payment system.

101 SCOPE

The PMS manual establishes the procedures for all recipients paid through PMS.

102 BASIC AUTHORITY

In January 1966, Congress authorized the creation of the Grants Management Fund (GMF) (42 U.S.C 3514) to facilitate the administration of payments to DHHS recipients of Federal assistance awards. The DPM operates the PMS, which is accountable for the GMF operations.

103 POLICY/REGULATIONS

A. GENERAL

1. All Federal assistance programs should be funded through PMS.
2. Most awards paid through PMS are entitlements, project period awards, discrete awards or block grants.
3. Contracts are paid through PMS only with special arrangements with the awarding agency.
4. If existing programs are to be transferred to PMS, it is generally done at the beginning of the fiscal year awarding cycle.

CHAPTER I: PAYMENT MANAGEMENT SYSTEM - BASIC FUNCTIONS

5. The Federal Grant and Cooperative Agreement Act of 1977 (P.L. 95-224) prescribes what award instrument shall be used. Questions concerning policy for grants, contracts, and other agreements are addressed to the awarding agency.
6. Central Registry Subsystem (CRS) is one of the subsystems within PMS. A recipient must be registered with a unique Entity Identification Number (EIN) within CRS by the awarding agency before making the award. (Also, if awards are to be paid through PMS, the awarding agency must indicate this fact in CRS.)
7. The recipient must provide an SF-1199A Direct Deposit form to allow direct transfer of funds.
8. The Cash Management Improvement Act (CMIA) of 1990 (P.L. 101-453) mandates the prompt payment of advances and the prompt return of Federal funds. Title 31 CFR, parts 205 and 210 have been revised to accommodate this legislation.

B. OFFICE OF MANAGEMENT AND BUDGET (OMB)

1. **OMB Circulars A-102 and A-110** prescribe uniform policies for Federal agencies administering grants.
 - a. **OMB Circular A-102** applies to grants to States, local governments, and Federally recognized Indian tribal governments.
 - b. **OMB Circular A-110** applies to grants to nongovernmental organizations such as institutions of higher education, hospitals, and nonprofit organizations.

Title 45 CFR 74. Part 74, implementing OMB Circulars A-102 and A-110, contains the Department's policy for administration of grants is being revised.

C. TREASURY DEPARTMENT (TD)

1. **TD Circular 1075**, as revised, establishes procedures for withdrawing cash from the Treasury for advances under Federal programs for recipients. Chapter II of this manual explains the various methods for obtaining Federal cash and Chapter III explains recipient cash management responsibilities.
2. **TD Circular 1082** provides procedures for notifying States of award information.
3. **TD Circular 1084**, Regulations Governing Cash Management Practices within the Federal government, is issued under the authority of 5 U.S.C. 301 and 31 U.S.C. 484, 492(a), 492(c), and 1002. This circular makes governmental agencies responsible for monitoring the cash management practices of their recipients to ensure that Federal cash is not maintained in excess of that required for immediate disbursement needs. Refer to Treasury Circular 1075, as revised.

104 IDENTIFICATION AND REGISTRATION OF THE RECIPIENT IN PMS

The CRS uses a standard identification number of twelve characters to identify recipients. This number is called the Entity Identification Number (EIN). The EIN is comprised of the nine digit employer identification number, used for tax reports, a one digit prefix, and a two digit suffix. All recipients of Federal assistance funds must have a unique EIN recorded in the Central Registry Subsystem (CRS). Refer to CRS System Specifications for details on exceptions.

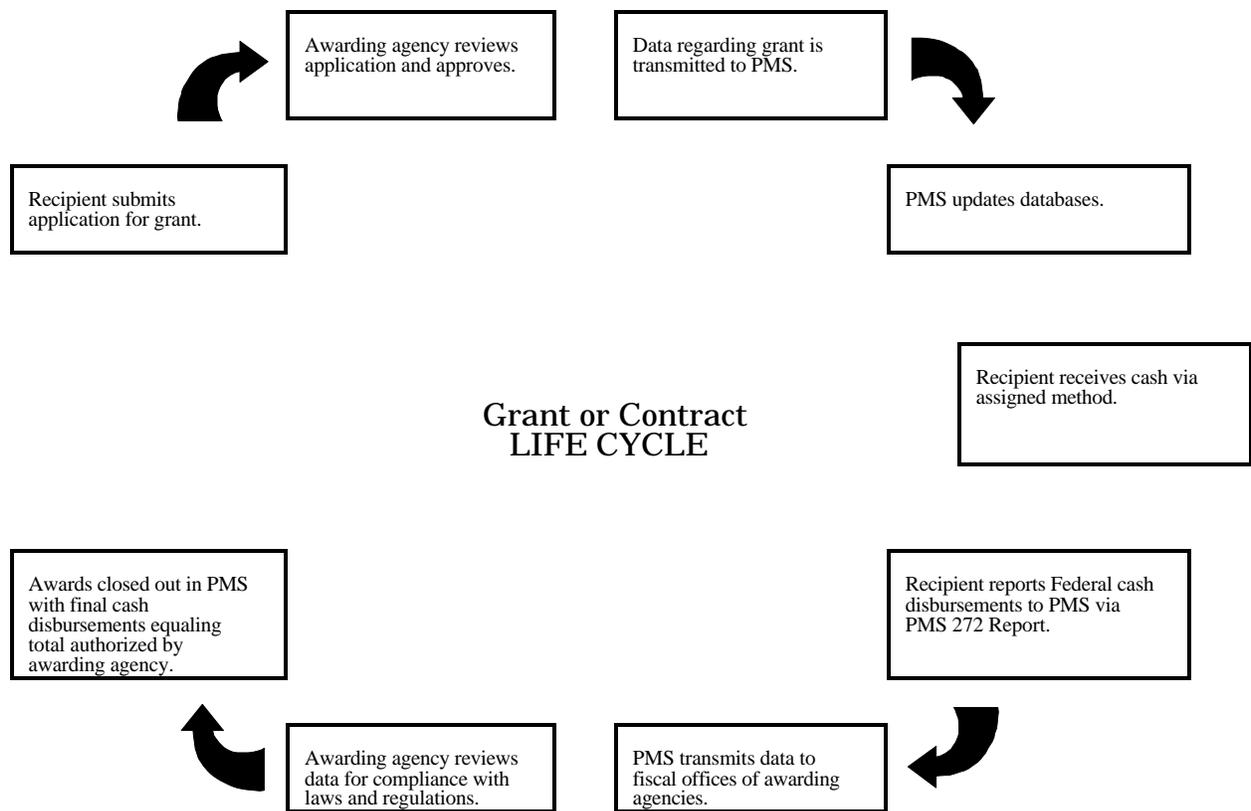
The CRS maintains an automated file with identification data on all recipients paid through PMS. These records contain data elements which identify the organization, its mailing and/or location address, geo-political codes (such as congressional district, county and city codes, etc.) for geographic fund distribution, and classify it into a type of entity coding structure.

Normally, initial payee registrations for PMS paid entities will be initiated by the awarding agency. Changes of payee-related entities will be held for review by the DHHS, Office of the Secretary, DFSO which is operationally responsible for the administration of PMS registration related data. After this review, approved changes will be posted to the single database.

105 GRANT OR CONTRACT LIFE CYCLE - OVERVIEW

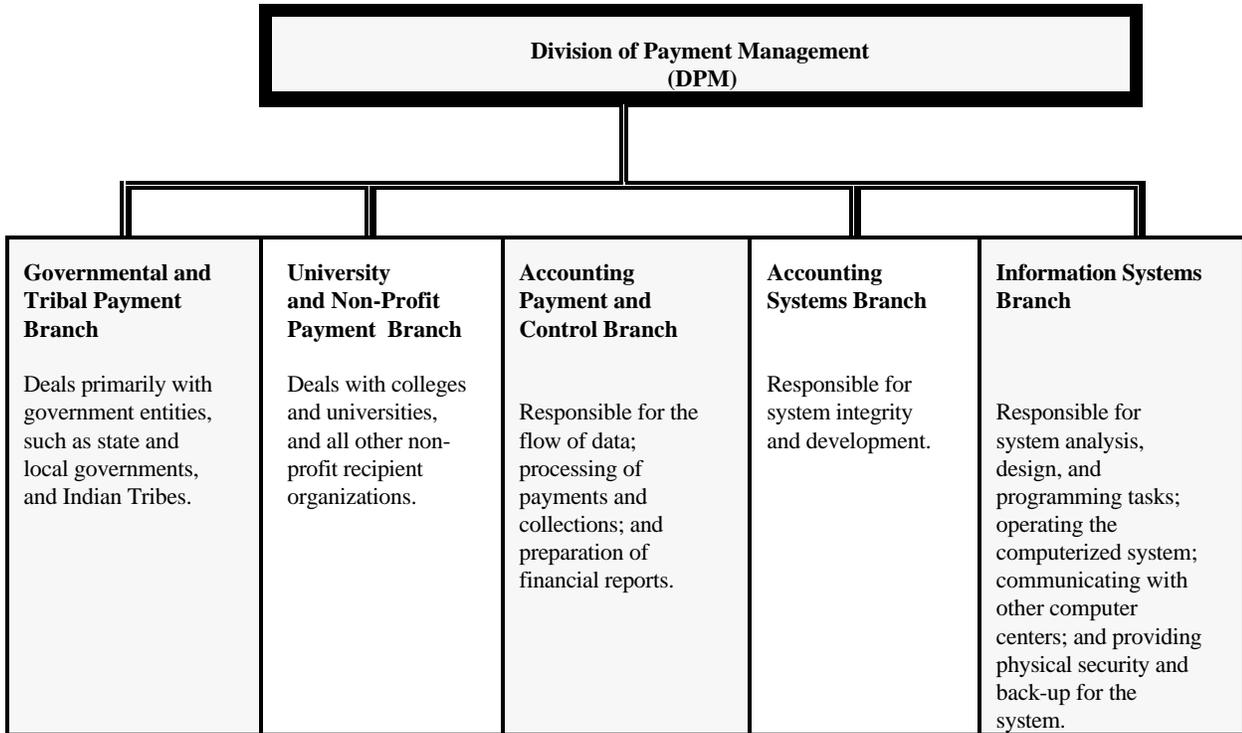
The Payment Management System (PMS) was developed for the purpose of creating a central point capable of paying most Federal assistance grants and contracts and block grants. The main purpose of this system is to serve as the fiscal intermediary between awarding agencies and the recipients of grants and contracts, with particular emphasis on: (1) expediting the flow of cash between the Federal government and recipients; (2) transmitting recipient disbursement data back to the awarding agencies; and (3) managing cash advances to recipients.

The life cycle of a grant or contract under PMS is shown below.



106 PMS ORGANIZATION

The DPM, which operates PMS, is divided into five branches (see below).



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- 201 Departmental Standards/Policy
- 202 Monthly Cash Request Method - Treasury Check
- 203 Smartlink
- 204 Cashline
- 205 Direct Deposit

200 OVERVIEW

Recipients **receive** funds via one of three methods: (1) Treasury Check, (2) Automated Clearinghouse (ACH), and (3) Fedwire. Treasury checks are sent via U.S. Mail within 13 business days of receipt of the recipient's request. ACH is an automated "next day" direct deposit system. Fedwire is generally a "same day" direct deposit system, reserved for emergency use only.

There are currently three methods by which recipients may **request** funds. These include: (1) the PMS-270 cash request, (2) **SMARTLINK II**, and (3) **CASHLINE**. New recipients typically begin with the PMS-270 cash request method, until a drawdown pattern is established. Once a pattern has been established, the recipient may be switched to a request method that better suits its drawdown frequency. The selection of payment method is also based upon account structure (e.g., presence of sub-accounts) which would favor the use of Smartlink II.

Recipients with access to a personal computer (PC) and modem may be eligible to use **SMARTLINK II**, a dial-in computer application specifically designed for frequent drawdown requests. Other recipients with touch-tone dialing capabilities and no sub-accounts may be eligible for the **CASHLINE** system, a voice-response computer application accessible by phone. The decision regarding which request method to use is made on a recipient by recipient basis.

Federal agencies are expected to use Electronic Funds Transfer (EFT) to the "maximum extent practicable" in making grant payments.

201 DEPARTMENTAL STANDARDS/POLICY

- A. Financing of recipient programs are normally made by advance payments. These will be either through Treasury check, Fedwire, or ACH. Recipients, who have not been notified to the contrary, are paid by Treasury check.
- B. Recipients are expected to make their cash drawdowns based on "Checks Issued." That is, cash draws are scheduled to arrive at the time when checks are released.
- C. Recipients using ACH are expected to draw down only the funds needed for immediate disbursement needs, since funds are made automatically available by the next business day after making a request.
- D. Reimbursement financing is used for a few specifically designated programs and for those recipients who have, in the past, abused advanced funding privileges. Special instructions are issued when this funding method is to be used.
- E. Certain programs for some recipients are designated for other than "Checks Issued" drawdown techniques. These include: (1) Delay-of-Drawdown, which uses the expected clearing time as the basis for cash drawdowns; and (2) "Checks Paid", which uses the actual bank clearings as the basis for making cash draws. Recipients with programs designated for other than "Checks Issued" will be specifically notified by the Department.

202 MONTHLY CASH REQUEST METHOD - TREASURY CHECK

- A. Recipients funded through PMS which are not eligible for CASHLINE or SMARTLINK II advance funding may be financed on a monthly cash request basis. This payment method applies to recipients requiring advance payments to finance their program activities whether by contract, grant, or other agreement. Recipients may be eligible for this financing method:
1. When the recipient's annual aggregate advance financing is less than \$120,000;
 2. When the business relationship between the awarding organization and the recipient is not continuing for at least one year or more; and
 3. When the cash management objectives of the ACH payment methods (CASHLINE and SMARTLINK II) or advance funding are not being practiced by the recipient organization, e.g., withdrawal of cash concurrently with actual disbursements; and
 4. When the recipient's financial management system does not meet the standards for advance financing and must be paid on a reimbursement payment method.
- B. Each month the recipient is advanced cash to cover the coming month's anticipated Federal disbursements against all programs financed by PMS. The PMS 270 forms are preprinted and sent to the recipient with the PMS 272 report. Recipients may wish to make a copy of the completed form before submitting it to PMS. For timely receipt of cash, the recipient must submit this form in time to reach PMS at least 13 business days before the date the cash is needed. The recipient is paid directly by a check issued and mailed by the U.S. Treasury. At no time should cash be requested to cover accruals or unliquidated obligations until actual disbursements are anticipated.
- C. Although available, a Treasury check is the least desirable method for cash management purposes due to the infrequent drawdowns and uncertainty of receipt.

The following information should aid in the completion of the PMS-270:

PMS 270

ITEM#	ITEM	EXPLANATION
1	Type of Payment Requested	This item is completed by DPM.
2	Federal Sponsoring Agency	This item is completed by DPM.
3	Basis of Request	This item is completed by DPM.
4	EIN	Enter your Entity Identification Number if it is not completed by DPM.
5	Payee Identification Number	Enter your assigned Payee Identification Number (PIN) if it has not been completed by DPM.
6	Account Number	Enter your Account Number if it is not completed by DPM.

CHAPTER II: METHODS FOR OBTAINING FEDERAL CASH

ITEM#	ITEM	EXPLANATION
7	Recipient Organization	Enter your recipient name and address if they have not been completed by DPM.
8	Period Covered by this Request	Enter the period over which the amount stated in Item 9C will be disbursed.
9A	Estimated Federal cash outlays to be made during period through ___ \$ ___	Enter period during which the estimated Federal cash outlays will be disbursed. Also, enter the estimated Federal cash outlays on this line where indicated.
9B	Less: Estimated balance of Federal cash on hand as of ___ \$ ___	Enter the "as of" date for the estimated balance of Federal cash on hand as of the latest PMS 272. Also, enter, where indicated, the estimated balance of Federal cash on hand on this line.
9C	Amount requested (line A minus line B) for \$	Enter, where indicated, the difference between Item 9A and Item 9B; this figure represents the amount requested.
10	Certification	The typed or printed name and title of the Authorized Certifying Official (ACO) should be entered. Also, the telephone information for the ACO should be entered where indicated. The ACO will sign and date this "Request for Advance or Reimbursement," in ink.

- D. Recipients should contact DPM if a treasury check is not received within three weeks after mailing the Request for Advance or Reimbursement (PMS-270) to DPM.
- E. A recipient's receipt of cash may be delayed, denied, or reduced by DPM for one or more of the following reasons:
1. The recipient has submitted the PMS 270, Request for Advance or Reimbursement Form, after the 15th of the month for funds due the current month.
 2. The recipient has completed the Request for Advance or Reimbursement improperly.
 3. The amount requested exceeds the undrawn award authorization in the recipient's account.
 4. The recipient has been identified as potentially holding excessive Federal cash and has not responded to DPM's notification letter.
 5. The PMS 272 Federal Cash Transactions Report has not been properly completed or submitted by the "due date."

203 SMARTLINK II

As mentioned above, recipients with access to a PC and modem, are eligible for the **SMARTLINK II** method of drawing down funds. Recipients assigned to **SMARTLINK II** will use a PC to dial into a computer system at the National Institutes of Health (NIH). The application permits the data entry of account and drawdown information (e.g. account number and amount requested), and then generates a message indicating the outcome of the transaction. In a matter of minutes, the paper-free transaction is complete, and funds are direct deposited into the recipient's account on the next business day.

Recipients interested in converting to SMARTLINK II may contact their DPM representative, whose name may be found at the bottom of page 1 of their PMS 272 Report. Recipients assigned to this method will receive complete documentation of the request procedure at the time of assignment.

204 CASHLINE

Some recipients may be eligible for **CASHLINE**, a voice-response application accessible from a touch-tone phone which also allows a quick, paper-free transaction.

The recipient simply dials the **CASHLINE** number, which is answered by a voice response computer system. The voice instructs the recipient, step by step, when to enter drawdown information (e.g. account number and amount requested), with the keypad on their phone. The voice indicates the outcome of the transaction; and depending on which payment method the recipient is assigned, requested funds will be direct deposited into the recipient's bank account, or the recipient will be mailed a Treasury check. This request method is currently only available to recipients with PMS accounts that do not contain sub-accounts.

Recipients interested in converting to this method may contact their DPM representative, whose name may be found at the bottom of page 1 of their PMS 272 Report. Recipients assigned to CASHLINE will receive complete documentation of the request procedure at the time of assignment.

205 DIRECT DEPOSIT OF FUNDS RESULTING FROM USE OF SMARTLINK II AND CASHLINE

Recipients may utilize the **DIRECT DEPOSIT SIGN-UP FORM (SF 1199A)**. This form collects the information necessary for DPM to have Federal funds electronically deposited into the recipient's bank account.

Sections 1 and 2 of the 1199A are to be completed by the recipient; Section 3 is completed by the recipient's financial institution. The recipient's financial institution is responsible for disseminating copies of the three-part form in accordance with the copy designation stamped at the foot of the form. The "Government Agency Copy" will be forwarded to DPM. The "Payee(s) Copy" will be sent to the recipient and the "Financial Institution Copy" will be kept by the recipient's financial institution.

Please Note: If any data on the completed 1199A changes, the recipient must obtain and complete a new 1199A. Blank forms should be available at the recipient's financial institution. (See Form 1199A in Appendix C.)

CHAPTER III: ACCOUNTING REQUIREMENTS FOR RECIPIENTS

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- 307 Illustration of Accounting Transactions

300 OVERVIEW

The recipient must effectively control and account for all grant award authorizations, cash disbursements, expenditures (if on an accrual basis), and funds received from PMS. At a minimum, the recipient must establish and maintain the control accounts and subsidiary records, or equivalent control techniques, as prescribed in Sections 305 and 306 of this chapter. The recipient's accounting system may be simple or complex. The purpose of these control accounts is to maintain required accountability with PMS. Primary recipients must require their secondary recipients to adhere to these same accounting criteria.

Standards for academic and other non-profit recipients of Federal grants are prescribed in OMB Circular A-110. These standards govern financial management systems, procurement policies and procedures, and property management and are analogous to the standards prescribed by OMB Circular A-102 for State or local government recipients of Federal grants. These circulars are implemented in 45 C.F.R., Part 74.

301 STANDARDS FOR FINANCIAL MANAGEMENT SYSTEMS OF RECIPIENTS

The recipient's financial management system shall provide effective control over and accountability for all funds received from PMS. At a minimum, the system shall provide for the following:

- A. Accurate, current and complete disclosure of the financial results of each program or project sponsored by awarding agencies.
- B. Records that adequately identify the source and application of funds for sponsored activities. These records shall contain information on the awards, authorizations, obligations, unobligated balances, assets, expenditures, cash disbursements and income. (For grants, the records must also contain information on liabilities if the recipient is a State or local government.)
- C. Effective control over and accountability for all funds, property, and other assets. Recipients shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
- D. Comparison of cash disbursements (or actual expenditures if on an accrual basis) with budgeted amounts for each grant or other agreement. If appropriate, or specifically required, relate financial information to performance or productivity data, including the production of unit cost information. If unit cost data are required, estimates based on available documentation will be accepted whenever possible.
- E. When advances are made by ACH, the recipient shall make drawdowns as close as possible to the time of disbursements. Normally Federal funds are considered disbursed when checks have been released to pay for program and/or project costs.

CHAPTER III: ACCOUNTING REQUIREMENTS FOR RECIPIENTS

- F. Procedures in accordance with the applicable cost principles and the terms of the award for determining the reasonability, allowability, and allocability of costs.
- G. Accounting records that are supported by source documentation.
- H. Examinations in the form of external or internal audits. Such audits shall be made in accordance with generally accepted auditing standards, including the standards of the most current issue of the U.S. General Accounting Office's publication "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." The auditors engaged by the recipient shall meet the criteria for qualifications and independence as specified. This publication is available from the Superintendent of Documents, Public Documents Department, U.S. Government Printing Office, Washington, D.C. 20402.
 - 1. The purpose of the audits shall be to determine the effectiveness of the financial management systems and internal control procedures established by the recipient to meet the terms of its grants and sub-grants. The recipient's auditors need not examine every grant or sub-grant awarded to the recipient. Rather, audits should be made organization-wide to test the fiscal integrity of financial transactions and compliance with the terms of awards. Tests should include an appropriate sampling of Federal grants and sub-grants.
 - 2. Audits shall be conducted either on a continuing basis or at scheduled intervals (usually once a year), but at least every two years. The frequency of audits depends on the nature, size, and complexity of the recipient's grant and/or sub-grant supported activities.
 - 3. Audits may affect the frequency and scope of Federal audit. Nothing in this section, however, is intended to limit the right of the Federal government to audit grant and/or sub-grant supported activity.
 - 4. The recipient shall follow a systematic method to assure that the findings and recommendations of the audit are resolved appropriately and on time.
 - 5. A copy of each audit report and a description of its resolution shall be furnished to the appropriate regional office of the DHHS Office of the Inspector General (OIG).

302 CASH MANAGEMENT STANDARDS AND REGULATIONS

Under advance financing, the recipient commits itself to: (1) initiating cash drawdowns only when actually needed for its disbursements; (2) timely reporting of cash disbursements and cash balances as required by OMB; and (3) imposing the same standards of timing and amount upon any secondary recipients, including furnishing reports of cash disbursements and cash balances. Failure to adhere to these provisions may cause advance funding to be terminated by DPM or by the Department of the Treasury and require the imposition of a reimbursement financing plan.

303 CASH MANAGEMENT RESPONSIBILITIES

- A. Generally, grant award documents will indicate if the grant is to be paid by PMS. For awards advance-funded, recipients shall initiate cash drawdowns only when needed for actual immediate cash disbursements.

- B. PMS may take the following actions upon receipt and review of the recipient's PMS 272, Federal Cash Transactions Report (see Chapter IV):
 - 1. Request explanation for Federal cash on hand that exceeds immediate disbursement requirements.
 - 2. Request immediate return of Federal cash on hand considered in excess of that normally required for immediate disbursement.
 - 3. Request a recipient paid by ACH to explain the need to retain cash in excess of that required for immediate disbursement.
 - 4. Change the method of payment to a monthly reimbursable basis when a recipient repeatedly draws down funds in excess of its immediate disbursement requirements.
 - 5. Withhold further payment if the certification statement is not signed and dated by a proper official.
 - 6. Withhold further payment if reporting requirements are not met unless the recipient provides written confirmation of a late report submission and has been granted an extension by PMS before the report's due date.
 - 7. Withhold further payments for cash management abuse until the problem is resolved and/or corrected.

- C. Prudent management of cash in the hands of secondary recipients is the responsibility of the primary recipient. The primary recipient must impose effective cash management requirements on each of its secondary recipients. If secondary recipients fail to furnish accurate and timely reports of cash disbursements and cash balances to the primary recipient for the PMS 272, the primary recipient's advance funding may be terminated by DPM or the Department of the Treasury. Refer to TD Circular 1075, as revised.

304 RECIPIENT CASH CONTROLS

Cash controls are essential in achieving the objectives of the ACH payment process. Each recipient should develop these controls to meet its individual organizational pattern. The process must meet the following provisions:

- A. Cash on hand for all programs combined is the minimum needed to cover immediate disbursements. This requires a system for matching the withdrawal pattern with the disbursement pattern.

- B. No withdrawn cash is applied toward any disbursement amount which exceeds the recipient's project or program authorized amount.

CHAPTER III: ACCOUNTING REQUIREMENTS FOR RECIPIENTS

305 SUGGESTED GENERAL LEDGER ACCOUNTS

The following basic accounts are recommended for use, as a minimum, by each recipient of PMS funds. Use of this simple account structure will enable recipients to reconcile amounts in their accounts quickly with those reflected on the PMS reports. The accounts are designed for recipients using a cash basis of accounting. Recipients using an accrual basis of accounting will require additional accounts, since these accounts may not provide all the detailed information required for programmatic reports to the administering component organizations.

Payment/Award Authorization - PMS	Record in this account the total amount of open awards funded through PMS. The balance of this account is the total amount of all awards issued less all closed awards. This amount should always equal the amount of payment (award) authorization reflected on the PMS 272, Federal Cash Transactions Report. Recipients should support this account with subsidiary records at the award document number level.
Accounts Receivable - PMS	Record in this account the amount of cash which is due the recipient, but has not been drawn down or advanced from PMS to cover recipient disbursements. The balance of this account is total open payment (award) authorization less the total cash advanced through PMS to the recipient minus closed authorizations. This amount should equal the amount of payment (award) authorization reflected on the PMS 272, less the cash accountability reflected on the PMS 272-B, "Statement of Cash Accountability.
Cash Disbursements - PMS	Record in this account the Federal share of net disbursements as indicated on the PMS 272-A. This amount is limited to the amount of the payment (award) authorization. Recipients should support this account with subsidiary records for disbursements at the award document number level.
Expended Funds*	Record in this account the recipient's total expenditures against payment (award) authorizations funded through PMS. This may include not only the actual funded (Federal share of award) cash disbursements against individual awards, but also accruals and other non-Federal cash transactions. The balance of this account is not reported to PMS, but is used for programmatic reports to the administering agencies to determine the final closeout amount of the award. Recipients should support this account with subsidiary records for expenditures at the award document number level. * Required for recipients whose accounting systems are on an accrual basis.
Cash - PMS	Record in this account the total amount of cash held that was received through PMS. The balance of this account is the total cash advanced less total cash disbursements. This amount should equal the amount reported by the recipient on the PMS 272, "Federal Cash Transactions Report - Status of Federal Cash."

306 SUGGESTED ACCOUNTING ENTRIES FOR RECORDING TRANSACTIONS

A. Suggested accounting entries for the following transactions are as follows:

1. To record new award authorization funded through PMS:

Debit (Increase) Accounts Receivable
Credit (Increase) Award Authorization

2. To record the receipt of cash advances from PMS:

Debit (Increase) Cash
Credit (Decrease) Accounts Receivable

3. To record the disbursement of funds for goods and services in PMS:

Debit (Increase) Cash Disbursements
Credit (Decrease) Cash

4. To record the closing of an award in PMS:

Debit (Decrease) Award Authorization
Credit (Decrease) Cash Disbursements

B. Closeouts of awards are to be recorded at the amount of the awarding agency-approved Final Report of Expenditures (FROE). If the awarding agency-approved FROE is not equal to the amount of the award or to amount claimed, accounting adjustments will be required in the recipient's general ledgers and is the same as the Final Financial Status Report 269. These may include two or more of the following (assuming a decrease) in PMS:

1. Reduction of Award Authorization

2. Reduction of Accounts Receivable

3. Reduction of Cash Disbursements

4. Increase of Cash

NOTE: If, as a result of the above adjustments, Accounts Receivable - PMS becomes negative or Cash - PMS becomes greater than immediate needs, then RETURN the excess to PMS as soon as possible.

307 ILLUSTRATION OF ACCOUNTING TRANSACTIONS

A. Illustrated below are thirteen typical transactions during an accounting quarter as they should be recorded in the recipient's General Ledger Accounts (compare to attached Transaction Sample):

1. Balances brought forward from previous period;	-various-
2. Recipient received new award authorization;	\$250,000.00
3. Recipient received cash through PMS;	15,000.00
4. Recipient disbursed funds for one month;	6,000.00
5. Award closed-out based on final expenditures (FROE) accepted by the awarding agency - (award was for \$50,000, amount claimed was \$45,000);	
5a. Award for \$50,000 reduced to \$45,000, the amount claimed as a final expenditure;	5,000.00
5b. Award closed at \$45,000;	45,000.00
6. Recipient received cash through PMS;	10,000.00
7. Recipient disbursed funds for one month;	18,000.00
8. Award closed-out based on final expenditures, (FROE) accepted by awarding agency;	20,000.00
9. Recipient received cash through PMS;	10,000.00
10. Recipient disbursed funds for one month;	3,250.00
11. Recipient received cash through PMS;	5,000.00
12. Award closed-out based on the approved FROE of \$6,000 - (award had been \$7,000 and amount claimed by recipient was \$6,500);	
12a. Award authorization reduced to \$6,000;	1,000.00
12b. Claimed expenditures reduced from \$6,500 to \$6,000;	500.00
12c. Award closed at \$6,000;	6,000.00
13. Balances at end of period.	-various-

CHAPTER III: ACCOUNTING REQUIREMENTS FOR RECIPIENTS

PMS TRANSACTIONS SAMPLE RECIPIENT'S RECORDS								
	Award Authorization -PMS		Accounts Receivable -PMS		Cash Disbursements -PMS ⁺		Cash - PMS	
1.	\$	\$641,451.00	\$81,951.00	\$	\$570,771.71	\$	\$	\$11,271.71
2.		250,000.00	250,000.00					
3.				15,000.00			15,000.00	
4.					6,000.00			6,000.00
5a.	5,000.00			5,000.00				
5b.	45,000.00					45,000.00		
6.				10,000.00			10,000.00	
7.					18,000.00			18,000.00
8.	20,000.00					20,000.00		
9.				10,000.00			10,000.00	
10.					3,250.00			3,250.00
11.				5,000.00			5,000.00	
12a.	1,000.00			1,000.00				
12b.						500.00	500.00	
12c.	6,000.00					6,000.00		
13.		\$814,451.00	\$285,951.00		\$526,521.71		\$1,978.29	

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

- 400 Overview
- 401 Status of Federal Cash - PMS 272
- 402 Federal Cash Transaction Report - PMS 272-A
- 403 Statement of Cash Accountability - PMS 272-B
- 404 Error Correction Document - PMS 272-C
- 405 Major Program Statement - PMS 272-E
- 406 Authorizations for Future Periods - PMS 272-F
- 407 Inactive Documents Report - PMS 272-G

400 OVERVIEW

- A. PMS recipient reporting requirements are consistent with the OMB policies and the standards for government-wide reporting. DPM uses an automated PMS-272 as approved by OMB. These computer-generated reports are furnished to all recipients with active PMS accounts. A PMS 272 and its appropriate schedules (PMS 272-A through G) are produced for each recipient (payee) account, if applicable. Since payees may have more than one account in PMS, those payees receive more than one PMS 272. The following table provides a brief explanation of each 272 report:

COMPUTER-GENERATED REPORTS

FORM#	FORM/REPORT	CONTENTS
N/A	Transmittal letter	A cover letter containing instructions regarding the attached reports.
PMS 272	Federal Cash Transactions Report, Status of Federal Cash	An overview of the status of the account which contains data provided by PMS to the recipient.
PMS 272-A	Federal Cash Transactions Report	Shows the award authorization and prior cumulative disbursements reported against individual awards. The recipient reports current net disbursements cumulative through current reporting period and indicates any documents that are missing from this report (PMS 272-A). In addition, PMS will "echo back" resolution of previously reported award problems.
PMS 272-B	Statement of Cash Accountability	Shows the detail of total cash accountability reflected in PMS and a reconciliation report whereby the recipient can indicate advance payment problems to PMS.
PMS 272-C	Error Correction Document	Provides an optional mechanism for the recipient to report problems with PMS data systematically and know that follow-up action will be taken.
PMS 272-E	Major Program Statement	Shows advances and cash accountability by major program. This includes programs such as Medical Assistance Payments, Medicaid Administration and Training, AFDC Benefits Payments, Block Grants, etc.

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

FORM#	FORM/REPORT	CONTENTS
PMS 272-F	Authorizations for Future Periods	Lists authorizations that have been posted to the PMS data base, but for which the starting date has not yet arrived.
PMS 272-G	Inactive Documents Report	Lists all awards posted in the PMS data base that have become inactive during the current period or during a prior period.

- B. The PMS 272 and optional schedules contain the following heading information:
1. Payee name
 2. Payee address (PMS 272 only)
 3. Payee Identification Number (PMS 272 only)
 4. Payee Account Number (PAN)
 5. Entity Identification Number (EIN)
 6. Method of payment (ACH, Fedwire, etc.)
 7. Region
 8. State
 9. The period covered by the report (a one or three month accounting period)
 10. Type of account
- C. The column headings and data elements used in the automated PMS 272 report (and subsidiary schedules) are defined form by form in the sections 401 through 407.
- D. Samples of the 272 and its subsidiary schedules can be found in Appendix C. The samples of the PMS 272-A and PMS 272-B appear far more complicated than these reports will normally be for the majority of recipients. The intent was to show virtually all possible combinations of problems, conditions and error messages on a single sample of the PMS 272. Each PMS 272 is customized to the needs of a payee's account based on: a) characteristics of the payee; b) characteristics of that account; and c) problems the payee has reported to PMS regarding the data on the PMS 272.

401 STATUS OF FEDERAL CASH - PMS 272

- A. The recipient must maintain accountability for all funds received through PMS and, therefore, must complete the PMS 272 Report (see Form 272 in Appendix C), and certify that the data are correct.

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

B. The data elements of the 272 are described in the following table:

PMS 272	
ITEM	EXPLANATION
Cash on Hand Beginning of Reporting Period	This amount is computed by subtracting total Federal cash disbursements from the cash accountability amount. This figure should be reconcilable to the recipient's actual Federal cash balance as supported by its books and records on the first day of the reporting period. This amount is preprinted by DPM and furnished to the recipient.
Total Receipts	This amount is computed by adding together all advances to the recipient during this reporting period. This amount is preprinted by DPM and furnished to the recipient.
Total Cash Available	This amount is computed by adding the cash on hand at the beginning of the reporting period and total receipts. This is the total cash the recipient had at its disposal during the reporting period. This amount is preprinted by DPM and furnished to the recipient.
Net Disbursements	The recipient enters this amount. It is computed on PMS 272-A by subtracting the "Total Federal Share of Net Disbursements - Prior Period" from the "Total Federal Share of Net Disbursements - Current Period." The amount entered must agree with Net Disbursements as reported on PMS 272-A.
Adjustments of Prior Periods	This amount is the sum of adjustments made by DPM to recipient's previously reported disbursements. If an amount is reported, it will be supported by correspondence to the recipient and on the PMS 272-B. If the recipient discovers errors in previously reported disbursements, these are NOT to be reported here, but rather through changes in the current period "Federal Share of Net Disbursements" of the PMS 272-A.
Cash on Hand End of Period	This amount is computed by the recipient and represents the total amount of Federal cash on hand at the end of the reporting period. (Line 3, less line 4, plus or minus line 5.) This figure should be reconcilable to the recipient's actual Federal cash balance as supported by its books and records as of this reporting period.
Cash Requirements for the Ensuing Number of Days	The recipient enters the number of days until the cash on hand shown on line 6 will be disbursed.

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

ITEM	EXPLANATION
Interest Income	<p>Interest earned on advances of Federal funds must be reported each quarter by all recipients except states, instrumentalities of states, and Indian tribal organizations. However, states must report interest on advances for research and development awards, but not other types of awards. Indian tribal governments are exempt from reporting interest on advances for awards made to them under the Authorities of Sections 102, 103, and 104 of the Indian Self-determination Act pending disbursement.</p> <p>All recipients must limit Federal cash drawdowns to the minimum amounts needed and must time drawdowns to coincide with the actual immediate cash requirements in carrying out the approved program or project. This means that recipients receiving monthly cash advances (TREASURY CHECKS) must request only enough Federal cash to cover the Federal share of anticipated disbursements for the ensuing month--less any Federal cash that will be on hand when that month begins. Recipients drawing down Federal cash "as needed" must schedule draws of Federal cash to coincide as closely as administratively feasible with the actual date of related cash disbursements. Any interest earned on Federal funds must be reported, except as noted above. If owed interest is reported to PMS, DPM will add the interest to the total available cash for the next reporting period and will increase the recipient's FEDERAL CASH ACCOUNTABILITY by the same amount. Therefore, there is no need to remit money to DPM.</p> <p>Interest earned on Federal funds received by a recipient from a third party (defined as interest earned on Federal funds not pending disbursement), must be accounted for to the Federal Government. States and Indian tribal organizations are not exempt from this requirement and such interest must be reported on line 8 of the PMS 272 Report.</p> <p>Recipient(s) may retain \$100 of interest per year for administrative purposes per their fiscal year.</p>
Advances To Subgrantees or Subcontractors	<p>The recipient enters the amount of undisbursed advances held by secondary recipients at the end of the reporting period.</p>
Authorized Certifying Official	<p>This section has to be completed and signed by an appropriate official in the recipient organization. Unsigned reports will be returned immediately, and could cause delays in payments if the Report 272 due date has passed.</p>

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

402 FEDERAL CASH TRANSACTIONS REPORT - PMS 272-A

- A. This report is a continuation of the automated PMS 272. It includes documents which are open and active. Data is reported cumulatively and the recipient must report cash disbursements cumulative through the same date when reporting back to PMS. Changes in the amount of award authorizations which have occurred since the last reporting period are displayed on the report (See Form 272-A in Appendix C).
- B. The data elements of the 272-A are described in the following table.
 - 1. Column headings are defined in "a - f" and keyed to the sample report in Appendix C-3.

PMS 272-A	
ITEM	EXPLANATION
a. Report Line/Item	This line number is assigned during the production of the PMS 272-A; it is used as a reference when the recipient wishes to cite a line of the PMS 272-A on the Error Correction Document" (PMS 272-C).
b. Federal Grant or Other Identification	This is the complete document number as shown on the award issued to the recipient. The first character is the issuing agency followed by a dash, followed by the 10 character "core" document number.
c. Recipient A/C or Other ID No.	This is an optional field used by the recipient to identify awards within its own accounting system. This data element may contain up to twelve (12) characters in length and is included for the convenience of the recipient. Once the recipient has provided this identification number, it is preprinted on subsequent reports by DPM and furnished to the recipient.
d. Authorized Amount	This is the total cumulative amount of all awards issued with this document number (through the end of the reporting period). The amount does not contain any authorizations with effective dates starting after the ending date of this report. The amount is preprinted by DPM and furnished to the recipient.
e. Federal Share of Net Disbursements Cumulative Through Last Reporting Period	This is a cumulative total of the Federal share of net disbursements made against the award authorization as reported by the recipient on its most recent PMS 272 processed through PMS. This amount is preprinted by DPM and furnished to the recipient. NOTE: If the most recent PMS 272 Report processed is not the most recent report completed by your office, DO NOT make adjustments to this Column. All incorrect amounts will self adjust with the correct reporting of cumulative totals in column "E" of the current report.

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

ITEM	EXPLANATION
<p>f. Federal Share of Net Disbursements Cumulative Through Current Reporting Period</p>	<p>The recipient enters the cumulative total of the Federal share of net disbursements made against award authorizations up through the reporting period end date. For reporting, net disbursements are defined as actual payments made to the project or program (i.e. , checks, warrants, or cash payments), including the amount of advances and payments less refunds to subgrantees or subcontractors, interdepartmental charges where allowable, payroll and fringe benefit charges as recorded by the recipient's payroll distribution system, and the amount to which the recipient is entitled for indirect costs, less any applicable credits (e.g., program income, refunds for projects costs, etc.). For purposes of this instruction, gross payroll charges, including fringe benefits, may be included; however, see note below. Amounts reported should not exceed award authorizations which were in effect during the period. Cash disbursements which are later disallowed by program officials should be deleted from the subsequent report. State agencies which administer AFDC, Medicaid, or Social Service Awards should not report cash disbursements which program officials have deferred.</p> <p>NOTE : Although gross payroll cost may be reported, Federal funds should not be drawn for unpaid FICA, income taxes, fringe benefits, and other accrued expenditures until needed for disbursement.</p>
<p>2. Changes in the amount of the award authorizations which have occurred since last reporting period</p>	
<p>3. Subtotals</p>	<p>The PMS 272-A has preprinted subtotals for Columns C and D of the report. The recipient must insert the subtotals for Column E by adding the amounts reported as Federal Share of Net Disbursements Cumulative through the current reporting period.</p>
<p>4a-e. Reactivated or Missing Award Documents</p>	<p>If a recipient wishes to report changes in disbursement amounts for awards which have previously been deactivated, the award may be entered in Columns A through D exactly as it appears on the Inactive Document Report PMS 272-G. Column E is reserved for the current cumulative disbursement. If a recipient wishes to report disbursements for an award which for some reason has never been included on the PMS 272-A, the award may be added to the report. In this case a copy of the award authorization document must be attached to the report. Be sure that the starting date of the award is before the end of the reporting period being reported.</p>
<p>5d & e. Totals</p>	<p>The net sum of the "Federal Share of Cumulative Disbursement - Prior Period" (Column D) and "Current Period" (Column E) must be reported in the space provided. These values are the sum of the subtotals plus any reactivated or missing awards added.</p>
<p>6f. Net Disbursements</p>	<p>This amount is to be calculated by subtracting the total "Federal Share of Net Disbursements - Prior Period" from the total "Federal Share of Net Disbursements - Current Period" and is to be entered as "Net Disbursement" in Column E and on Line 4 of the PMS 272.</p>
<p>7. Resolution of Previously Reported Award Problems</p>	<p>This information is preprinted by DPM (if the recipient previously reported award related problems) and furnished to the recipient to assist in reconciling data. The report example shows all possible problems that DPM could echo back to the recipient. The messages are meant to be self-explanatory.</p>

403 STATEMENT OF CASH ACCOUNTABILITY - PMS 272-B

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

- A. This report is furnished for the recipient's information and shows how the recipient's cash accountability was derived by DPM. In addition, it provides the means by which recipients may report problems with the advances reported.
- B. The data elements of the 272-B are described in the following table and keyed to the sample report in Appendix C-4:

PMS 272-B

ITEM	EXPLANATION
1. Total Cash Accountability	The items reported in this column are the cumulative amounts of the recipient's accountability and details of amounts effecting changes to the total cash accountability.
2a & b. Reported Disbursements	<p>The items reported in these columns are disbursements as reported to PMS by the recipient and are classified as active or inactive.</p> <p>a. Active - These amounts are the sums of the active award's disbursements or the details of awards which have changed status during the period. Active awards are those which are not fully spent or whose performance period has not passed.</p> <p>b. Inactive - These amounts are the sums of the inactive award's disbursements or the details of awards which have changed status during the period. Inactive awards are those awards which are usually fully spent or whose performance period has expired and are not yet closed. Transactions in this column are the same as those shown in the PMS 272-G "Inactive Document Reports."</p>
3. Cash Available for the Period	The amounts reported are derived by deducting disbursements from the total cash accountability. In addition, transactions which affect funds available for the period are reported.
4. PMS Total as of xx/xx/xx	The total cash accountability is indicated as of the previous report processed in PMS.
5. Net Disbursements Reported for the Period Ending xx/xx/xx	This amount is reported on line 4 of the most recent PMS-272 processed.
6. Cash on Hand Beginning of the Reporting Period	This amount is derived by subtracting "Net Disbursements" from "Cash Available for the Period".
7. Document Activity	<p>This section reports actions that have taken place since the last PMS 272. These actions can be one of three types:</p> <p>a. Reclassification of a document from active to inactive or vice-versa.</p> <p>b. Document closeout or reopened by the awarding agency.</p> <p>c. Document moved to another account.</p>
8. Advances to Payee During this Period	This is a list of advances made to the recipient during this reporting period and their totals. It includes the line number (PMS-generated for reference only), paid date, schedule number, and amount. This information is preprinted by DPM and furnished to the recipient. Also included are all other cash transactions that affect the cash (i.e., refund checks, interest, transfers in/out (OPAC), and journal vouchers).

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

ITEM	EXPLANATION
9. Total Cash Accountability as of Current Report Ending Date	This is the summation of the cash on hand at the beginning of the reporting period plus (or minus) adjusted Reported Disbursements and Total Receipts.
10. Missing Advances	At least two blank lines are printed to allow the recipient to report advances received during the period that are not contained in item 8.

404 ERROR CORRECTION DOCUMENT - PMS 272-C

- A. The PMS 272-C is furnished to the recipient by DPM as an optional schedule. It can be used by the recipient to report data reconciliation problems for awards on the PMS 272-A or the Advances to Payee portion in PMS 272-B. (See Form 272-C in Appendix C.) If the recipient has no error problems to report for awards and/or advances, the Error Correction Document should be ignored.
- B. DPM preprints the instructions and error codes that are to be used for recipient reporting. These are to provide a consistent, systematic and uniform schema for reporting and resolving data discrepancies.
- C. The data elements of the 272-C are described in the following table:

PMS 272-C

ITEM	EXPLANATION
Line Item	The line item number of the document or advance assigned during the production of the PMS 272-A or B. The recipient enters the line item of the document or advance that has the problem.
Error Code	The one (1) character alphabetical error code which identifies the nature of the error being corrected. The recipient enters one of the codes from those listed on the PMS 272-C.
Corrected data	The recipient enters the correct data. For error codes F, X, or D, leave this area blank. Place one letter/number per block, left justified. Do not enter commas or dollar signs in an amount, but enter a decimal point if whole dollars cannot be used.

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

405 MAJOR PROGRAM STATEMENT - PMS 272-E

- A. This report is furnished to States, Indian Tribes and cross-serviced organizations for their information only. The majority of PMS recipients will not receive this schedule. It is divided into two parts. Part I, "Advances to Payee By Major Program," lists individual payments made during the quarter among the various programs. Part II, "Cash Accountability," maintains accountability for all advances received through PMS by major program (see Form 272-E in Appendix C). All information provided on this schedule is preprinted by DPM and furnished to the recipient. Refer to Chapter V for more details.
- B. The data elements of the 272-E are described in the following table:

PMS 272-E	
ITEM	EXPLANATION
<u>PART I</u>	
Advances to Payee During This Period	The total advances made to the recipient during this reporting period. This amount also appears in line 2 on PMS 272.
Line	The line item number assigned during the production of the PMS 272.
Paid Date	The date that the advance was made to the recipient.
Schedule	PMS internal number assigned to each payment. The recipient must use this number when communicating with DPM about particular payments.
Amount	This is the amount of the advance paid on the schedule.
Advance Breakdown	This distributes the individual advances to the various programs. Refer to Chapter V for more information.
<u>PART II</u>	
Program	Identifies the program and the related documents for each program. Refer to Chapter V for more information.
Total Authorizations (as of period covered by this report)	The total award authorizations (through the end of the reporting period). This figure includes all authorizations by documents, both open and closed, posted at the time reports are generated, regardless of effective date!
Total Advances (as of period covered by this report)	The total federal cash advances to the recipient through this reporting period. This amount also includes advances requested on the last day of the reporting period but paid the subsequent day.
Undrawn Authorizations (as of period covered by this report)	The total award authorization minus the total advances equals the undrawn authorization.
This Period Draws by Program	Advances made during this period are broken out by program. (Refer to Chapter V for more details.) This is a summary of the individual payments in PART I.

CHAPTER IV: RECIPIENT CASH DISBURSEMENT REPORTING

406 AUTHORIZATIONS FOR FUTURE PERIODS - PMS 272-F

- A. This report is furnished to recipients by DPM to provide information only and requires no action by the recipient. It represents all awards posted in the PMS database that have effective dates in future reporting periods (see Form 272-F in Appendix C). All items and information are preprinted by DPM and provided to the recipient.
- B. The data elements of the 272-F are described in the following table:

PMS 272-F	
ITEM	EXPLANATION
Federal Grant or Other Identification Number	The complete award number as shown on the award issued to the recipient.
Incremental Amount	The additional amount that will become available for awards at a future date.
Cumulative Amount	The sum total of the incremental and cumulative amounts that will become available for awards at a future date.
Begin Date	The date the cumulative amount will become available for use by the recipient.

407 INACTIVE DOCUMENTS REPORT - PMS 272-G

- A. This report lists all awards posted in the PMS database that have become inactive or fully disbursed during the current period or a previous period. In the event disbursement adjustments are required, the entry data should be transcribed to the PMS 272-A. **Recipients are encouraged to communicate the status of lapsed grants with their program offices.**
- B. The data elements of the 272-G are described in the following table:

PMS 272-G	
ITEM	EXPLANATION
Federal Grant or Other Identification Number	The complete award number as shown on the award issued to the recipient.
Authorization Amount	Total cumulative amount of all awards issued with this document number (through the end of the reporting period). The amount does not contain any authorizations with effective dates starting after the ending date of this report.
Disbursement Amount	The cumulative total of the Federal share of disbursements made against the award authorization, as reported by the recipient.

CHARTER V: OTHER RECIPIENT REPORTING TO PMS

- 500 Overview
- 501 Remittance to PMS
- 502 Notes Receivable Statement
- 503 Segmented Mailing Relationships

500 OVERVIEW

Although the basic underlying concept of the Payment Management System is cash pooling (i.e., cash needs are not identified by individual awards at the time of the draw) PMS has promulgated requirements whereby payments made for the larger public assistance programs (e.g. Medical Assistance Payments, Medicaid Administration and Training, and AFDC Benefit Payments) are identified by program at the time of draw or request.

However, payments made for all block grants are identified with the individual grants at the time of drawdown or request. Refer to Chapter VIII - Block Grant Financing Instructions.

501 REMITTANCE TO PMS

- A. Periodically, it becomes necessary for a recipient to remit funds to PMS. The reasons for this are listed below:
 - 1. Return of advances:
 - a. Excess cash on hand
 - b. Cash balances at the end of the program
 - c. Audit disallowances
 - 2. Remittance of interest earned on Federal monies held (also see PMS 272 in Chapter IV).
 - 3. Notes receivable (see Section 504 below).
- B. Remittance should be payable to DHHS and should indicate the recipient's PMS account number and purpose for which the funds are being returned.

502 NOTES RECEIVABLE STATEMENT

Occasionally, it may be necessary for DPM to enter into a repayment agreement with a recipient. This may result from an over-disbursed award document, FROE adjustment, or audit finding involving a certain sum owed to the Government for which the recipient is unable either to pay the full amount owed or to make an offset adjustment to finance other open awards.

- A. An extended payment plan (Notes Receivable Statement) will be negotiated between the awarding agency, the recipient, and DPM and will be confirmed in writing, with a copy provided to the awarding component.
- B. Installment payments will be sufficient in size and frequency to liquidate the amount owed generally within a three year period, and interest will be charged on the uncollected amount.

CHAPTER VI: RECONCILIATION REQUIREMENTS

- 600 Overview
- 601 Responsibilities
- 602 Reconciliation Requirements
- 603 Assistance in Reconciliation of Financial Reports

600 OVERVIEW

In its role as a fiscal intermediary, DPM must also monitor its synchronization with the recipient's accounting records to ensure that any differences which may arise will be resolved promptly. The primary vehicle for accomplishing this is the PMS 272 Federal Cash Transactions Report which the recipient completes and returns to DPM. (See Chapter IV, Recipient Cash Disbursement Reporting to the Payment Management System - Requirements and Instructions.) Reconciliation requires full cooperation and close liaison between the awarding agencies and DPM.

601 RESPONSIBILITIES

- A. DPM does not issue awards to recipients. DPM serves as the disbursing agent of the awarding agencies for awards financed by the DHHS.
- B. To assure a smooth working relationship between the awarding agencies and DPM, a "PMS contact point" has been established within each awarding agency's accounting office. Individuals designated have an in-depth knowledge of the system interfaces and are able to obtain needed information from accounting or program records. To assist them, the PMS database has an on-line Inquiry capability that allows properly authorized government personnel access to the most current fiscal data available on recipients. These individuals (contact points) serve as the key point for all contacts by the DPM staff and are responsible for responding to questions and resolving differences quickly. Only through this close teamwork between the staff of the awarding agencies and DPM can the government maintain a satisfactory relationship with its recipients.
- C. DPM cannot initiate correction of authorization reporting errors; it can only notify and follow-up with the awarding agency to ensure that data are submitted through PMS to correct reporting errors. **Responsibility for resolving award authorization and disbursement discrepancies rests with, and is between, the recipient and the awarding organization--not DPM.**

602 RECONCILIATION REQUIREMENTS

- A. On an ongoing basis, DPM reconciles all payments with the Department of Treasury. The recipient must work closely with DPM personnel to reconcile any differences. Refer to Chapter IV for description of the PMS 272-A and B. These reports contain data essential to the recipient's reconciliation effort with PMS.
- B. The award records of PMS must be maintained in agreement with the records of the awarding agency's fiscal office. The process is called synchronization and is required for all awards funded through PMS.
 - 1. Recipients receive information on individual awards through the PMS 272. Greatest importance is attached to the award amounts which, added together, represent a ceiling against which a recipient may obtain cash through PMS. (Of course, award amounts for the larger public assistance programs [see Chapter V] cannot be added together in calculating a ceiling. Instead, these programs are maintained in PMS as sub-accounts

CHAPTER VI: RECONCILIATION REQUIREMENTS

within the recipient's account. These program data have distinct reporting identities.) The recipient is the first to suffer if award information is incorrectly stated. If the authorization is too low or not present, the recipient may not be permitted to obtain the funds necessary for the task required by the terms and conditions of the awards. Conversely, if the authorization is too high, the recipient may try to reduce excess funds by reporting higher disbursements and subsequently be required to refund cash immediately.

2. Synchronization of disbursements is as important as synchronization of authorizations. Cash disbursements reported by the recipient to PMS are used to control cash in the hands of the recipient and to monitor future cash advances. These cash disbursements are also transmitted to the fiscal offices of the awarding agencies so that they can liquidate their advances to recipients paid through PMS.
3. DPM provides a synchronization report (R817) and tape containing data as of the end of the month by the fifteenth of the following month to each awarding agency.
4. If a recipient has reported data incorrectly, the recipient is obligated to make the corrections on the next submission of the PMS 272 to DPM.
5. DPM serves as a communication link between recipients and awarding agencies. The awarding agency organization that has control over obligation of award amounts must make the necessary corrections when differences occur. Likewise, the awarding agencies are continually in contact with recipients and, therefore, must resolve discrepancies in which reported cash disbursements on individual awards exceed the award authority or in which final cash disbursements reported to PMS differ from the recipient's final expenditures reported to the awarding organization. The government awarding organization is responsible for resolving any differences with a recipient when that organization closes an award. The recipient must cooperate and work with the awarding agency until all problems with Final Reports of Expenditures (FROE) submitted to the awarding agency are resolved.

603 ASSISTANCE IN RECONCILIATION OF FINANCIAL REPORTS

- A. It is essential that the recipient's financial data agree with that contained in PMS. Such mutual agreement is necessary for effective management of Federal cash and maintenance of acceptable recipient accountability. Recipients are encouraged to seek assistance from the appropriate staff in DPM (as indicated on their PMS 272) if their records cannot be reconciled to the PMS 272.
- B. The DPM liaison staff may be able to furnish the recipient with relevant additional data regarding the details of awards and advances posted to the PMS files. This information can be made available to assist recipients in reconciling with data maintained in PMS.

CHAPTER VII: AUDITS AND OTHER ADJUSTMENTS

- 700 Overview
- 701 Information on Independent Audits
- 702 Resolution of Audit Disallowances

700 OVERVIEW

The DHHS Audit Agency under the Office of the Inspector General (OIG) is responsible for all Departmental audits. Each recipient should maintain an accounting system that will satisfy the awarding agency and the DHHS Audit Agency that the recipient has spent money in accordance with the terms of the award. Recipients are reminded that the award instrument is the governing document.

701 INFORMATION ON INDEPENDENT AUDITS

A copy of "Information on Independent Audits of Entities that Receive Health and Human Services Funds," is attached in Appendix D. It provides information on the requirements for obtaining and conducting audits of non-federal entities as required by DHHS and on the role of the OIG in monitoring audit quality.

Additional copies of this pamphlet may be obtained by writing to:

National External Audit Resources Unit
DHHS Office of Audit Services
323 West 8th Street
Lucas Place, Room 514
Kansas City, Missouri 64105

702 RESOLUTION OF AUDIT DISALLOWANCES

A debt may arise from the results of an audit conducted by the Department's OIG, the General Accounting Office, or audits performed by independent auditors under contract to the Department or to the contractors or grantees themselves. The resolution of these audits, which includes the determination of any overpayment, is the responsibility of the designated Action Official. Designated Action Officials and their responsibilities are found in the DHHS Departmental Grants Administration Manual, Chapter 1-105, issued by the Office of the Secretary, Assistant Secretary for Management and Budget.

All finance offices are to reconcile their accounts receivable ledgers (audit and program disallowances) with appropriate program offices on a monthly basis.

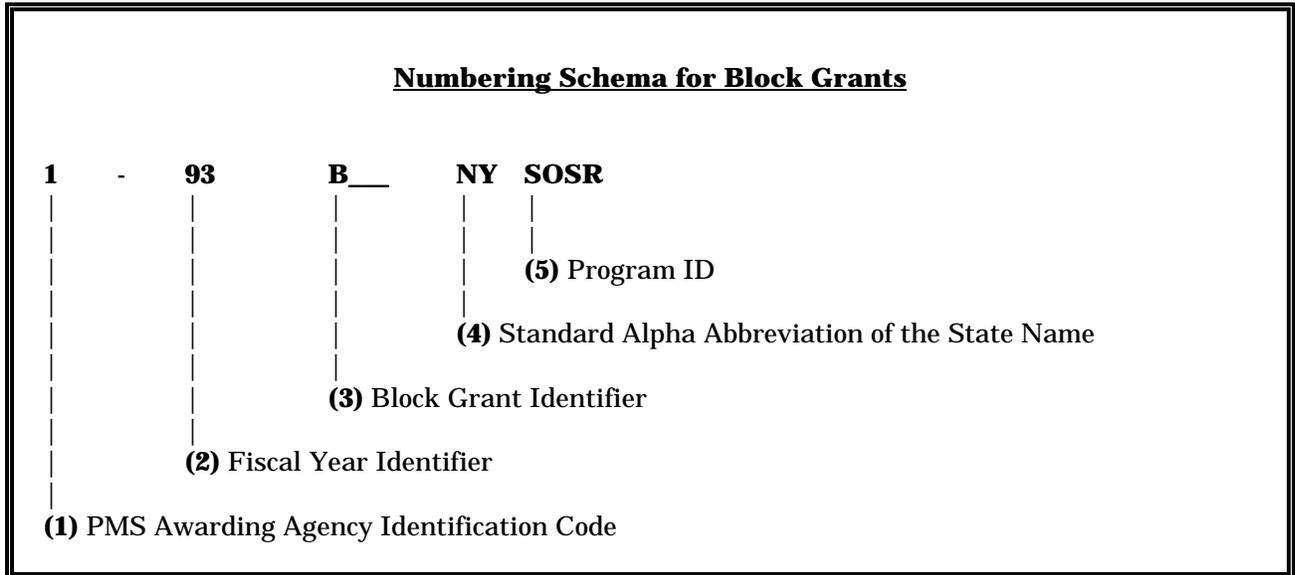
- 800 General Provisions
- 801 Block Grant Document Identification Standards
- 802 Payments
- 803 Establishing Block Grant Accounts
- 804 PMS Block Grant Status Report
- 805 Withholding of Payments
- 806 Expiration of Payments and Payment Closeout

800 GENERAL PROVISIONS

The block grant programs currently covered by these instructions are: 1) Community Mental Health Services; 2) Preventive Health and Health Services; 3) Substance Abuse and Preventative Treatment; 4) Child Care; 5) Maternal and Child Health Services; 6) Social Services; 7) Low Income Energy Assistance; 8) Alcohol, Drug Treatment Rehabilitation; 9) Community Youth Activity Program; 10) Mental Health Services for the Homeless; and (11) Community Services. These procedures are applicable only to block grants issued to states, territories, and Indian tribes. They are not applicable to formula or discretionary grants. The Secretary of Health and Human Services shall make payments as provided by the Cash Management Improvement Act (CMIA) of 1990.

801 BLOCK GRANT DOCUMENT IDENTIFICATION STANDARDS

Uniform standards have been developed for assigning document numbers under the block grant programs. These standards assure unique identification of documents under each program and fiscal year. A similar schema is currently used by DHHS to identify Public Assistance awards. See figure below for a complete description.



CHAPTER VIII: BLOCK GRANT FINANCING

- (1) **PMS Awarding Agency Identification Code** - This is a code used by PMS to distinguish document numbers between awarding agencies. It identifies the DHHS awarding agency issuing the block grant.
- (2) **Fiscal Year Identifier** - This will identify the fiscal year of the block grant.
- (3) **Block Grant Identifier** - This identifies the grant as a block grant. Block grants to the recipients will be identified by a "B" (for block) in the first position and a numeric character in the second position to distinguish between multiple block grants issued to a single recipient organization.
- (4) **Standard Alpha Abbreviation of the State Name** - This is the standard DHHS two-character alpha name abbreviation, e.g. MD for Maryland.
- (5) **Program ID** - These four characters will identify the document to the block grant program, such as the following:

PROGRAM	ID
Preventive Health and Health Services	PRVS
Maternal and Child Health Services	MCHS
Substance Abuse and Preventative Treatment	SAPT
Low Income Energy Assistance	LIEA
Social Services	SOSR
Community Mental Health Services	CMHS
Child Care	CARE
Community Youth	CYAP
Mental Health Services for the Homeless	MHSH
Community Services	COSR
Alcohol Drug Treatment Rehabilitation	ADTR

802 PAYMENTS

Payments will be made by Smartlink II to qualified recipients of block grants according to TD Circular 1075 and OMB Circular A-102 or A-110. These are further supplemented by the Cash Management sections of this manual.

803 ESTABLISHING BLOCK GRANT ACCOUNTS

The DPM will establish and maintain separate accounts for the block grant funds to be drawn by each recipient. For the purpose of managing these accounts, recipients are assumed to have a cash needs pattern similar to that which prevailed historically under the various programs which have been incorporated into the block grant. Therefore, cash management edits will take into account the following information: (1) historical drawdown patterns for the previous programs which have been incorporated into the block grant; (2) available (undrawn) award authority; and (3) information provided by recipient organization officials. Undrawn authority remaining at the end of each year will continue to be available to the recipient through the account in subsequent years.

The following TD Circular 1075 requirements applicable to other PMS awards are also applicable to block grants:

- A. Funds will be drawn only after the recipient has received the program authorization, and then only to meet current disbursements.
- B. The recipient organization must be aware of its cash needs continually to assure that minimal Federal cash balances are kept.
- C. The amount of Federal cash on hand will be as close to daily needs as is administratively feasible. Withdrawals should correlate with the recipient's disbursement pattern, i.e. , with vouchered expenditures or warrants being processed for payment.
- D. Recipients that finance secondary recipients (monies flowing from the State to local units of government) must establish controls to assure that State advances correlate with actual disbursement needs of the secondary recipient.

804 PMS BLOCK GRANT STATUS REPORT

Reporting requirements (PMS 272) do not apply to block grant programs. As a convenience, PMS will provide block grant recipients with a Major Program Statement PMS 272-E quarterly. (See Appendix C-6.) This computer-generated report will be provided to recipients solely to aid them in comparing records. It is analogous to a bank statement.

Part I of the report shows the payments made during the period covered by the report and provides a breakdown by block grant program. Part II of the report gives the cash accountability block grant by block grant as of the end of the period covered by the report.

805 WITHHOLDING OF PAYMENTS

DPM may withhold payments in exercising its responsibilities under Federal Cash Management Regulations. Payments of funds may also be withheld when the responsible awarding agency notifies PMS

that the recipient has not complied with program regulations, and when it appears to PMS staff that a recipient is drawing funds in excess of immediate program disbursement needs.

806 EXPIRATION OF PAYMENTS AND PAYMENT CLOSEOUT

Unlike other grant programs, recipients of block grants are not required to file financial disbursement reports i.e. PMS 272 Reports, program expenditure reports, or otherwise notify DHHS that a grant has been completed. Procedures are further simplified because all block grants are paid through the PMS.

- A. Block grant statutes govern the period in which states may obligate and expend funds. These statutes do not establish a time limit for drawing funds for legitimate expenditures.
- B. In addition to the above, Block grants may also be closed informally. The informal closing procedures do not affect a recipient's right to claim reimbursement for grant expenditures. There is no limit on the time when a recipient may claim reimbursement for block grant expenditures made during the statutory period.
- C. DPM, as a paying office, will initiate the block grant close-out process whenever the recipient drawdowns equal the award amount by:
 - 1. Notifying the recipient that the total has been drawn, requesting verification, and informing that the grant will be removed from its records on the next reporting cycle; and
 - 2. Providing the awarding agency finance office with the necessary information to prepare a closing transaction to PMS.
- D. DPM will also initiate the grant close-out process when its records show that undrawn authorizations exist for the grant in the third quarter (i.e., April 1) of the second fiscal year following the close of the statutory obligation or expenditure period. This will be done by:
 - 1. Notifying the recipient of DPM's intention to close out the grant by the end of the fiscal year; and
 - 2. Asking the recipient to advise the DPM staff of any plans for further drawdowns.
 - 3. Provide the awarding agency with the necessary information to prepare a closing transaction to PMS.

Account Number - See "Payee Account Number."

Automated Clearinghouse (ACH) - Automated "next business day" direct deposit system.

Advancement Ceiling Plan - The maximum limit of funds that can be paid to a recipient for a predetermined period of time.

Authorization - The grant award, contract, budget authorization, or similar document which advises the recipient of the amount of Federal financial assistance that is available for programs for a specified period of time.

Automated Clearing House Payment (ACH) - A method of payment available to recipients whereby the recipient determines immediate cash need and then receives cash via direct deposit to their bank account.

Award - A legal document, generated by a awarding agency which permits PMS to advance/reimburse a recipient for services. (See Authorization).

Begin and End Date - The month and year of the beginning and ending of the budget period (funding period) covered by the award or amendments to the award. Normally, this will cover a twelve month period under a project period award.

Block Grant - Grants that are primarily issued to general purpose governmental units in accordance with a statutory formula. Such grants can be used for a variety of activities within a broad functional area.

Budget Period - This is usually a twelve month period covered by an approved budget supporting an award. This term is used in connection with funding project period awards.

Cash Basis - The basis of accounting under which revenues are recorded when cash is received and expenditures are recorded when cash is disbursed.

Cash on Hand - This term refers to the amount of Federal cash actually received by the recipient less its Federal share of disbursements as reported on the PMS automated PMS 272. This balance must not include unpaid amounts for such items as accruals, accounts payable, etc.

Cash Request - A method of payment available to recipients whereby the recipient forecasts their monthly cash needs and then receives one or more checks in a given month from the Treasury.

Central Registry Subsystem (CRS) - A major function within PMS to register new EINs and payees, or make changes to name and address information for EINs and payees.

Closeout (of an award) - Discontinuation of an award after services have been provided, all disbursements have been made, and the Final Report of Expenditures has been submitted, accepted, recorded, and is in agreement with the advances and disbursements reflected in PMS.

Common Accounting Number (CAN) - This number is a seven character internal accounting number which, when used with the fiscal year, classifies financial transactions by awarding agency programs, appropriations, budget activity structure, and catalogue of Federal Domestic Assistance. The first character of the CAN identifies the awarding agency and should be identical to the first character of the document number.

APPENDIX A: GLOSSARY

Direct Payment - A method of payment to reimburse a recipient organization for disbursement of Federal funds authorized by grant and contract awards, i.e., construction projects. This payment method may also be used for advance payments to recipients with an PMS or awarding agency restricted account and is made by the awarding office.

Disbursement - Normally, federal funds are considered disbursed when checks have been released to pay for program and/or project costs.

Discrete Award (Project Grant) - This type of award covers a project that will be completed within a relatively short period of time, is non-severable into distinct stages, contains no commitment for future funding and is fully obligated by DHHS at the time of the award.

Document and Cross-servicing Number - This is a ten digit number used by PMS to identify each award document issued by an awarding agency to a recipient. The PMS document number is a ten (10) character core obligation document number. The document number often follows the one character awarding agency code and a dash. Normally, the obligation document number portion of the PMS document number will be the awarding agency's grant/contract/loan number.

Electronic Funds Transfer (EFT) - The movement and procession of financial data using computer and communications. PMS will use both Treasury and Federal Reserve Banks to effect EFT payments.

Entity Identification Number (EIN) - A three-part coding scheme of twelve characters used to identify organizations and individuals who do business with the Department. A "1" in the first position of the EIN (suffix) identifies the recipient as an organization; a "2" means an individual. The next nine characters are the Internal Revenue Service tax number for organizations or the social security number for individuals. The last two positions (suffix) will be "A1" through "ZZ" for an organization to identify its various components, or blanks for an individual.

FED WIRE - A "same day" direct deposit system reserved for emergency use only.

Federal Fiscal Year (FFY) - The period beginning October 1 and ending the following September 30. PMS uses a two digit FFY (i.e., 93).

Federal Reserve Communication System (FRCS) - The FRCS is a nationwide telecommunications network connecting the Federal Reserve Board and member commercial banks that maintain accounts at Federal Reserve Banks.

Final Report of Expenditures (FROE) - A report prepared by the recipient and transmitted to the awarding agency covering awards for which the performance period has expired and all disbursements have been completed.

Fiscal Agent - A bank or other corporate fiduciary which pays on behalf of the governmental unit.

Formula Grant - An allocation of funds to a State or its subdivisions in accordance with distribution formulas usually prescribed by law or administrative regulation, for continuous activities not necessarily confined to a specific project.

Institution Control Number (ICN) - This is a number assigned by the recipient to identify an award funded by PMS within its internal accounting system. This number is included in PMS for the convenience of the recipient. It may contain any combination of letters, numbers or special characters. The PMS 272-A calls this a "Recip. A/C or other ID No.

APPENDIX A: GLOSSARY

Object Class (OC) - Object Class, also known as Objective Classification, codes are an extension of the major object and sub-object classes of transactions prescribed in Office of Management and Budget Circular No. A-12 and special codes prescribed by Treasury Department Circular No. 1073. The object class code is essential to the automated accounting process, and the appropriate code must be used for every financial transaction recorded. Object classes represent further breakdowns of funding under a CAN.

Payee - A PMS recipient that receives the advances, report PMS 272 and other information from PMS. The name and address associated with the PAYEES EIN is the main contact point with PMS for all the recipient EIN's that may be associated with that payee.

Payee Account Number (PAN) - A five character alpha numeric code assigned by PMS to identify recipient accounts under a PIN; the fifth character identifies the account type.

CODE	TYPE OF ACCOUNT
A	Awarding Agency Restricted (advancement ceiling/spending plan requested by awarding agency)
B	Block Grant
C	Checks Paid
D	Delay of Drawdown
F	PMS Restricted (closer scrutiny by PMS)
G	General (this is the normal advance financing type)
P	Public Assistance
V	Reimbursable (PMS pays only when payment voucher is approved by government officials to reimburse recipient for funds it has already spent)

Any given payee can have one or more accounts, as an individual may have multiple accounts at a bank.

Payee Identification Number (PIN) - This is a four character alpha numeric code used by PMS to associate the Entity Identification Number with the recipient's business office where the financial responsibility and accountability for payments made to that organization rests. Each organization's business office is assigned a PIN and is referred to as a payee. (See Payee Account Number.)

Project Period Award (Discrete Awards) - These awards cover one or more years, are severable into distinct time periods, and are funded on a budget period basis, with a commitment to fund the project either through the approved project period or indefinitely, subject to availability of appropriated funds and other conditions. Continuation awards may be reduced by authorized carryover of unused balances from the end of prior budget periods.

Recipient or Recipient Organizations - Any State or local unit of government, educational institution, or public or private nonprofit organization/individual that receives grants, contracts and/or loans from the Department of Health and Human Services and cross-serviced agencies.

SF 224 Statement of Transactions - The SF 224 provides Treasury with a monthly statement of the payments and collections of Departments and agencies for which Treasury disburses, classified by appropriation, fund, and receipt accounts. The SF 224 is the basis for Treasury's monthly reports to Congress and the public on Federal revenue by source and Federal expenditure by appropriation or fund account.

SF 1166 Voucher and Schedule of Payments - Agencies submit requests for check payments to the Treasury on the SF 1166.

SF 1199A Direct Deposit Sign-Up Form - Recipients submit information necessary for the PMS to have federal funds electronically deposited into the recipient's bank account.

Status of Awards - The following terms describe the status of awards/documents within PMS:

- o **Active Awards** are those for which the performance period has not expired.
- o **Expired Awards** are those for which the performance period has expired.
- o **Open Awards** may be either active or expired which have not been closed out.
- o **Closed Awards** are those for which the performance period has expired; all disbursements have been made, and the Final Report of Expenditures has been submitted, accepted, and recorded by the awarding agency, in agreement with disbursements reported by the recipient to PMS.

Sub-account - PMS designation of a major program within a payee account; accounts are subdivided into sub-accounts for accounting and cash control. Examples of sub-accounts are listed below:

MT = Medicaid Training and Administration
AP = Aid to Families with Dependent Children

Treasury Check - Checks sent via U.S. Mail within 13 business days of receipt of recipient's request.

Awarding Agency Code - The one character code that identifies the government agency as follows:

CODE	AWARDING AGENCY
1	Office of the Secretary
3	Health Resources and Services Administration
4	Social Security Administration
5	Health Care Financing Administration
6	Food and Drug Administration
8	National Institutes of Health
9	Centers for Disease Control
A	Assistant Secretary for Health
B	Federal Emergency Management Agency
C	Substance Abuse and Mental Health Services Administration
G	Administration for Children and Families
J	Indian Health Service
K	Agency for Health Care and Policy Research
S	National Aeronautic and Space Administration
T	Department of Labor
U	Commission of National and Community Service
V	Federal Aviation Agency
W	Department of the Interior
X	Department of Agriculture
Y	Department of Energy
Z	United States Information Agency

APPENDIX B: ACRONYMS

ACH	Automated Clearing House
CAN	Common Accounting Number
CRS	Central Registry Subsystem
DPM	Division of Payment Management
DHHS	Department of Health and Human Services
EIN	Entity Identification Number
FRB	Federal Reserve Bank
FRCS	Federal Reserve Communication System
FROE	Final Report of Expenditures
FY	Fiscal Year
GMF	Grants Management Fund
ICN	Institution Control Number
OC	Object Class Code
OPDIV	DHHS Operating Division

APPENDIX B: ACRONYMS

ACH	Automated Clearing House
PAN	Payee Account Number
PIN	Payee Identification Number
PMS	Payment Management System

APPENDIX C: PMS FORMS & REPORTS

PMS 270
 EXCEPTION TO SF 270 APPROVED BY GSA/OIRM 5/85
 OMB NO 0937-0200
 APPROVAL EXPIRES 00/00/00

REQUEST FOR ADVANCE
 OR REIMBURSEMENT
 1. TYPE OF
 PAYMENT ADVANCE REIMBURSEMENT
 REQUESTED

2. FEDERAL SPONSORING AGENCY:
 DIVISION OF PAYMENT MANAGEMENT
 DHS/OASD/OPM/DRM
 P.O. BOX 6021
 ROCKVILLE, MD 20852

3. BASIS OF REQUEST 4. EIN 000000000000
 CASH 5. PAYEE ID NO. 0000
 ACCRUAL 6. ACCT. NO. 0000

7. RECIPIENT ORGANIZATION:
 GIVEN FEDERAL ASSISTANCE ORG,
 NUMBER 123456 MAIN STREET
 ANYPLACE, MD 20852-1234

8. PERIOD COVERED BY THIS REQUEST
 FROM (MONTH, DAY, YEAR) TO (MONTH, DAY, YEAR)

9. COMPUTATION FOR ADVANCES ONLY
 A. EST. FED. CASH OUTLAYS TO BE MADE DURING PERIOD THRU
 B. LESS: ESTIMATED BALANCE OF FEDERAL CASH ON HAND AS OF
 C. AMOUNT REQUESTED (LINE A MINUS B) FOR

10. CERTIFICATION
 SIGNATURE OF CERTIFYING OFFICIAL DATE REQUEST SUBMITTED
 TYPED OR PRINTED NAME AND TITLE
 TELEPHONE AREA CODE NUMBER EXTENSION

 MMS FUNDS
 ONLY
 #####

STATUS OF FEDERAL CASH

OMB NO. 0937-0200
EXCEPTION TO SF 272 APPROVED BY GSA/OIRM 5/85
(APPROVAL THROUGH 00/00/00)

GIVEN FEDERAL ASSISTANCE ORGANIZATION CO. INC
NUMBER 23456 MAIN STREET
ANYPLACE, MD 20852-1234
PIN: 0000 PAN: 0000P EIN: 000000000000
TRES LINK REGION: 00 STATE: MD

PERIOD COVERED BY THIS REPORT:
04/01/93 - 06/30/93
USER CODE: F43
PUBLIC ASSISTANCE ACCOUNT

1. CASH ON HAND BEGINNING OF REPORTING PERIOD	\$	0.00
2. TOTAL RECEIPTS (SEE STATEMENT OF CASH ACCOUNTABILITY FOR DETAILS)	+	1,412,876.00
3. TOTAL CASH AVAILABLE	\$	1,412,876.00
4. NET DISBURSEMENTS (FROM PMS 272-A)	-	
5. ADJUSTMENTS OF PRIOR PERIODS (SEE STATEMENT OF CASH ACCOUNTABILITY FOR DETAILS)	+	0.00
6. CASH ON HAND END OF PERIOD (LINE 3, LESS LINE 4. PLUS OR MINUS LINE 5)	\$	
7. THE AMOUNT SHOWN ON LINE 6, ABOVE, REPRESENTS CASH REQUIREMENTS FOR THE ENSUING _____ DAYS (NUMBER)		
8. INTEREST INCOME	\$	
9. ADVANCES TO SUBGRANTEES OR SUBCONTRACTORS	\$	

OTHER INFORMATION

AUTHORIZED CERTIFYING OFFICIAL

I CERTIFY TO THE BEST OF MY KNOWLEDGE AND BELIEF THAT THIS REPORT IS TRUE IN ALL RESPECTS AND THAT ALL DISBURSEMENTS HAVE BEEN MADE FOR THE PURPOSE AND CONDITIONS OF THE GRANT OR AGREEMENT.

SIGNATURE _____ DATE REPORT SUBMITTED _____

TYPED OR PRINTED NAME AND TITLE _____

TELEPHONE: (AREA CODE) _____ (NUMBER) _____ (EXTENSION) _____

THE HHS CONTACT POINT WHO IS RESPONSIBLE FOR YOUR ACCOUNT IS
Arthur Teamleader, OR
STAFF AT: (301) 443-1660
RETURN THE COMPLETED REPORT TO:
DIVISION OF PAYMENT MANAGEMENT
P.O. BOX 6021
ROCKVILLE, MD. 20852

APPENDIX C: PMS FORMS & REPORTS

FEDERAL CASH TRANSACTION REPORT

PAGE 2

PMS 272-A

GIVEN FEDERAL ASSISTANCE ORGANIZATION CO. INC
 PAN: 0000P EIN: 000000000000
 TRES LINK REGION: 00 STATE: MD

HHS - PMS
 PERIOD COVERED BY THIS REPORT:
 04/01/93 - 06/30/93
 PUBLIC ASSISTANCE ACCOUNT

a	b	c	d	e	f
REPORT	FEDERAL GRANT OR OTHER	RECIP A/C OR	AUTHORIZED	**FEDERAL SHARE OF NET DISBURSEMENTS**	
LINE	***IDENTIFICATION***	OTHER ID NO	**AMOUNT**	CUM THRU 03/31/93	**CUM THRU 06/30/93**
ITEM	***** (a) *****	***** (b) *****	*** (c) *****	***** (d) *****	***** (e) *****

0001	G-9204CC4004	000000000000	6,037,113.00	5,970,609.00	
0002	G-9304CC4004		4,440,840.00	2,889,233.00	
	AWARD CHG: 9304CC4004	ON 03/31/93 \$ 1,513,110.00			
	AWARD CHG: 9304CC4004	ON 03/31/93 \$ 11,250.00			

2 SUB-TOTAL 10,477,953.00 8,859,842.00

3 PLEASE ENTER DOCUMENTS MISSING FROM ABOVE (COPY OF AWARD DOCUMENT MUST BE ATTACHED):

	4a	4b	4c	4d	4e
TOTALS					
				5d	5e
					6f

NET DISBURSEMENTS (column e minus column d) MUST CORRESPOND WITH AMOUNT SHOWN ON PMS 272 LINE 4

+)) Q
 * Resolution of previously reported award problems:

Msg No. Brief Description

* THE FOLLOWING AWARDS(S) REPORTED MISSING OR FOR WRONG AMOUNTS ON AN EARLIER PMS 272 HAVE BEEN ACCEPTED:
 2-G0077001152 00000000639 549 ... (M01) INCLUDED IN REPORT LINE ITEM 0002, ABOVE
 9-01H000141A 00000000C108 106,090 ... (M03) CONFIRMED-AWAITING DATA FROM OPDIV-IS LINE 0007 ABOVE
 7-01P000143A 00000000A011 495,400 ... (M04) ACCEPTED
 8-R01CA00900-0405 10 ... (M05) ACCEPTED, CHANGED AMOUNT
 3-01H000360A 891,525 ... (M06) NOT YET CONFIRMED. AWAITING PMS/OPDIV ACTION.

7 THE FOLLOWING AWARDS(S) REPORTED MISSING ON AN EARLIER PMS 272 WERE NOT ACCEPTED BY PMS:
 2-G004451230 200,000 ... (M10) COPY OF AWARD DOCUMENT NOT SUBMITTED BY YOU
 3-2012456899 233,124 ... (M11) COULD NOT CONFIRM AUTHENTICITY OF AWARD

APPENDIX C: PMS FORMS & REPORTS

STATEMENT OF CASH ACCOUNTABILITY

PAGE 3

HHS - PMS
 PERIOD COVERED BY THIS REPORT:
 04/01/93 - 06/30/93
 PUBLIC ASSISTANCE ACCOUNT

GIVEN FEDERAL ASSISTANCE ORGANIZATION CO. INC
 PAN: 0000P EIN: 000000000000
 TRES LINK REGION: 00 STATE: MD

	1	2a	2b	3
	TOTAL CASH	REPORTED DISBURSEMENTS	CASH AVAILABLE	
	* ACCOUNTABILITY*	**** ACTIVE	INACTIVE****	* FOR THE PERIOD *
4 PMS TOTAL AS OF 04/01/93	\$ 14,449,345.00	\$ 7,347,731.00	5,589,503.00	\$ 1,512,111.00
5 NET DISBURSEMENTS REPORTED				
6 FOR THE PERIOD ENDING 03/31/93	.00	1,512,111.00	(1,512,111.00)	
CASH ON HAND BEGINNING OF REPORTING PERIOD	14,449,345.00	\$ 8,859,842.00	5,589,503.00	.00
DOCUMENT ACTIVITY				
TOTAL ADJUSTMENTS PRIOR PERIODS	0.00			.00
ADJUSTED REPORTED DISB AS OF 04/01/93		8,859,842.00	5,589,503.00	
ADVANCES TO PAYEE DURING THIS PERIOD:				
LINE PAID DT SCHED VOU AMOUNT				
0003 04/06/93 003137 00000				
24,983.00				
0004 04/13/93 003168 00000				
204,032.00				
0005 04/20/93 003197 00000				
89,941.00				
0006 04/27/93 003227 00000				
9,277.00				
0007 05/04/93 003257 00000				
407,464.00				
0008 05/12/93 003294 00000				
191,397.00				
0009 05/18/93 003318 00000				
27,731.00				
0010 05/25/93 003348 00000				
44,386.00				
0011 06/08/93 003400 00000				
156,963.00				
0012 06/15/93 003427 00000				
217,907.00				
0013 06/22/93 003457 00000				
38,795.00				
TOTAL RECEIPTS (See line 2 of PMS 272):	<u>1,412,876.00</u>			<u>1,412,876.00</u>
TOTAL CASH ACCOUNTABILITY AS OF 06/30/93	15,862,221.00	8,859,842.00	5,589,503.00	1,412,876.00

PLEASE ENTER ADVANCES RECEIVED PRIOR TO 07/01/93 MISSING FROM ABOVE:
 PAYMENT TYPE(CIRCLE ONE): LOC-FRB LOC-TFCS TREASURY-CHECK WIRE-PAYMENT \$ _____
 PAYMENT TYPE(CIRCLE ONE): LOC-FRB LOC-TFCS TREASURY-CHECK WIRE-PAYMENT \$ _____

APPENDIX C: PMS FORMS & REPORTS

PMS 272-E

MAJOR PROGRAM STATEMENT

PAGE 5
HHS - PMS

GIVEN FEDERAL ASSISTANCE ORGANIZATION CO. INC
 PAN: 0000P EIN: 000000000000
 TRES LINK REGION: 00 STATE: MD

PERIOD COVERED BY THIS REPORT:
 04/01/93 - 06/30/93
 PUBLIC ASSISTANCE ACCOUNT

PART I - ADVANCES TO PAYEE BY MAJOR PROGRAM

ADVANCES TO PAYEE DURING THIS PERIOD:
 LINE PAID DT SCHED VOU/RQN AMOUNT ***** A D V A N C E B R E A K O W N *****

PROGRAM	AO	PAID DT	SCHED	VOU/RQN	AMOUNT
0014	04/06/93	003137	00000	\$	24,983.00
0015	04/13/93	003168	00000	\$	204,032.00
0016	04/20/93	003197	00000	\$	89,941.00
0017	04/27/93	003227	00000	\$	9,277.00
0018	05/04/93	003257	00000	\$	407,464.00
0019	05/12/93	003294	00000	\$	191,397.00
0020	05/18/93	003318	00000	\$	27,731.00
0021	05/25/93	003348	00000	\$	44,386.00
0022	06/08/93	003400	00000	\$	156,963.00
0023	06/15/93	003427	00000	\$	217,907.00
0024	06/22/93	003457	00000	\$	38,795.00

TOTAL \$1,412,876.00

PART II - CASH ACCOUNTABILITY

TOTAL AUTHORIZATIONS AS OF 06/30/93 TOTAL ADVANCES AS OF 06/30/93 UNDRAWN AUTHORIZATIONS AS OF 06/30/93 THIS PERIOD DRAWS BY PROGRAM

PROGRAM	AO	AUTHORIZATIONS AS OF 06/30/93	ADVANCES AS OF 06/30/93	UNDRAWN AUTHORIZATIONS AS OF 06/30/93	PERIOD DRAWS BY PROGRAM
G-8604CC4004		\$ 3,731,531.00			
G-8704CC4004		\$ 3,925,721.00			
G-8804CC4004		\$ 3,910,641.00			
G-8904CC4004		\$ 3,883,159.00			
G-9004CC4004		\$ 4,207,362.00			
G-9104CC4004		\$ 5,589,503.00			
G-9204CC4004		\$ 6,037,113.00			
G-9304CC4004		\$ 6,243,292.00			
AO - AFDC OTHER		\$ 37,528,322.00	\$ 35,653,484.00	\$ 1,874,838.00	\$ 1,412,876.00
OTHER-SAC -		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
OTHER-SAC -		\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
TOTALS		\$ 37,528,322.00	\$ 35,653,484.00	\$ 1,874,838.00	\$ 1,412,876.00

PMS 272-F

AUTHORIZATIONS FOR FUTURE PERIODS

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GIVEN FEDERAL ASSISTANCE ORGANIZATION CO. INC
 PAN: 0000P EIN: 000000000000
 TRES LINK REGION: 00 STATE: MD

AUTHORIZATION BEGIN DATE RANGE
 07/01/93 - 07/01/93
 PUBLIC ASSISTANCE ACCOUNT

FEDERAL GRANT OR OTHER IDENTIFICATION****	FISCAL YEAR/ CAN/ OBJECT CLASS	INCREMENTAL AMOUNT	CUMULATIVE AMOUNT	BEGIN DATE
*****	*****	1,802,452	6,243,292	07/01/93

NOTICE TO RECIPIENT: The PMS 272-F is for your information only and represents all HHS awards posted in the Payment Management System (PMS) that have begin dates past the ending period for this report (i.e. 06/30/93). The incremental authorization amounts for the above awards will become available on the BEGIN dates indicated beside each award.

G-9304CC4004

PMS 272-G

INACTIVE DOCUMENTS REPORT

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GIVEN FEDERAL ASSISTANCE ORGANIZATION CO. INC
PAN: 0000P EIN: 000000000000
TRES LINK REGION: 00 STATE: MD

PUBLIC ASSISTANCE ACCOUNT

FEDERAL GRANT OR OTHER IDENTIFICATION	AUTHORIZATION AMOUNT	DISBURSEMENT AMOUNT
***** G-9104CC4004	***** 5,589,503.00 *****	***** 5,589,503.00 *****

NOTICE TO RECIPIENT: The PMS 272-G represents all HHS awards posted in the Payment Management System (PMS) that have become inactive during the current period or during a prior period.

**Instructions For Completion Of The
DIRECT DEPOSIT SIGN-UP FORM (SF 1199A)
for Department of Health and Human Services (DHHS) Grant Recipients**

OVERVIEW

What is the purpose of this form?

It collects the information necessary for the Payment Management System (PMS) to have Federal funds electronically deposited into the recipient's bank account.

Who must complete this form?

Sections 1 and 2 are to be completed by the recipient. Section 3 is to be completed by the recipient's financial institution.

Who must disseminate copies of this form?

The recipient's financial institution is responsible for disseminating copies of the three-part form in accordance with the copy designation stamped at the foot of the form.

The "Government Agency Copy" will be forwarded to the Division of Payment Management. The "Payee(s) Copy" will be forwarded to the recipient. The "Financial Institution Copy" will be kept by the recipient's financial institution.

What if some of the information changes?

Should any of the data on the completed 1199A change, the recipient must obtain a complete a new 1199A. Blank forms should be available at the recipient's financial institution.

DIRECTIONS

- & **The back of the 1199A must be read carefully before signatures are made.**
- & **All information is to be typed or printed on the 1199A, with the exception of signatures.**
- & **Alternations such as erasures, correction fluid, and strike-outs are unacceptable and will invalidate the form.**
- & **All data elements on the 1199A must be completed unless a blank is indicated.**

SECTION I

A. NAME OF PAYEE, ADDRESS, etc. Type or print your organization's name, address, and business office telephone number (including area code).

B. NAME OF PERSON(S) ENTITLED TO PAYMENT Type or print your organization's name.

C. CLAIM OR PAYROLL ID NUMBER Type or print _____. This is your organization's 12-digit Central Registry (CRS)/Entity Identification Number (EIN). This number is also found on you Notice of Grant Award (NGA), issued by the DHHS awarding agency.

D. TYPE OF DEPOSITOR ACCOUNT Check the appropriate account type.

E. DEPOSITOR ACCOUNT NUMBER Type or print the account number at your financial institution into which DHHS will authorize the U.S. Treasury to "direct deposit" funds.

F. TYPE OF PAYMENT Check the box marked "Other," and type or print "DHHS" on the blank line.

G. ALLOTMENT OF PAYMENT Leave this portion blank.

PAYEE/JOINT PAYEE CERTIFICATION Enter signatures of person(s) authorized to sign checks in your organization and affix date.

JOINT ACCOUNT HOLDERS' CERTIFICATION Enter signatures of additional person(s) authorized to sign checks in your organization and affix date.

SECTION II

GOVERNMENT AGENCY NAME Type or print "Division of Payment Management."

GOVERNMENT AGENCY ADDRESS Type or print "Post Office Box 6021, Rockville, Maryland 20852."

SECTION III

All portions To be completed by your financial institution's representative.

INFORMATION ON INDEPENDENT AUDITS
OF ENTITIES THAT RECEIVE
HEALTH AND HUMAN SERVICES FUNDS

Governmental Audits performed by Independent Auditors become a critical element in the accountability process of government. This bulletin provides information on the requirements for obtaining and conducting audits of non-federal entities as required by the Department of Health and Human Services (DHHS) and the role of the Office of Inspector General (OIG) in monitoring audit quality. This pamphlet is not intended to be a complete manual of procedures, or should it supplant the auditor's judgment of the audit work required in a particular situation.

BACKGROUND

State and local governments, non-profit organizations, and other entities receive federal funds to carry out various Federal programs each year. To ensure program integrity, the Federal government relies upon audits performed by Independent Auditors.

Audits provide information on program participants' internal control structures, financial capabilities, and compliance with program regulations and requirements. An independent audit is one source of information used to determine whether Federal funds have been spent in compliance with Federal requirements, and to determine if an internal control structure is in place to ensure that future funds will be spent accordingly.

The "cognizant" Federal agency is the Federal agency assigned by the Office of Management and Budget (OMB) to (1) ensure that audit reports are received on a timely basis; (2) provide technical assistance to the auditor; (3) be the liaison with the non-profit organization; (4) perform desk reviews of all audit reports received and quality control reviews (QCR) of audit working papers for selected audit reports; (5) monitor the resolution of audit findings; and (6) ensure that the audit reports are distributed to all operating divisions within DHHS that provide funds to the entity. For those entities which DHHS is not cognizant, a review of the audit report will still be performed if the entity receives funding directly from DHHS.

In general, desk reviews are intended to ensure that audit reports comply with the reporting requirements set forth by the American Institute of Certified Public Accountants (AICPA), the Comptroller General, OMB, and DHHS. Particular attention is paid to auditors' comments contained in the reports on the financial statements, internal control, and compliance. Any significant qualifications, exceptions, or deficiencies disclosed by the auditor are controlled in the department's audit resolution tracking system.

The objective of a QCR is to evaluate the auditor's work. Thus, QCRs provide assurance that: (1) data and systems identified in the working papers exist and (2) work was sufficient and accurate to support the audit report.

If deficiencies are found during the desk review or the QCR, the OIG attempts to identify and communicate to the auditor the reporting changes or additional work that will be necessary to comply with audit standards. Based on OIG experience, most auditors are willing to make revisions that will bring audits and audit reports into conformity with the standards.

SELECTING AUDITORS

Entities contract directly with independent auditors to fulfill their audit requirements. The procurement standards that entities are required to use in the purchase of audit or other services with Federal funds are described in the "Common Rule" for State and local governmental entities and Attachment O of OMB Circular A-110, "Grants and Cooperative Agreements with Institutions of Higher Education, Hospitals, and other Non-profit Organizations" for non-profit and universities. These circulars state that grantees have the responsibility to ensure: (1) procurement procedures comply with applicable State laws and regulations as well as the Circular itself; and (2) contracts are awarded only to responsible

APPENDIX D: INDEPENDENT AUDITS

contractors based on factors such as integrity, record of past performance, and financial and technical resources. Entities are encouraged to collect bids for audit services and select the lowest responsible bidder. Auditors who bid should be familiar with the scope of the work required, including any compliance supplements and their requirements.

However, the OIG does not participate in the selection process or in the establishment of audit fees. Participants may contact the OIG for technical advice and assistance on matters relating to audit requirements.

QUALIFICATIONS

Auditors are considered qualified if they comply with State licensing requirements and meet the definition of an Independent auditor. This includes external State or local government auditors who meet the Independence standards, licensed certified public accountants, and public accountants licensed on or before December 31, 1970.

AUDIT REQUIREMENTS

Auditors have an ethical and legal responsibility to perform quality audits that follow all applicable auditing standards and Federal requirements. Based on the type of entity, the audit must comply with:

	<u>Government</u>	<u>Non-Profit Organizations</u>
Generally Accepted Auditing Standards (Statements 1 through 65)	X	X
Government Auditing Standards (1988)	X	X
OMB Circular A-128	X	
OMB Circular A-133		X
AICPA Audit Guides: Audits of State and Local Government Units		X
Audits of Certain Non-Profit Organizations		X
Audits of Providers of Health Care Services		X
Audits of Voluntary Health and Welfare Organizations		X

With the exception of Guidelines for Audits of Health Education Assistance Loan Program Lenders (December 1989), all DHHS audit guides including the Head Start audit guide have been obsolete for several years. Audits prepared using obsolete audit guides cannot be accepted.

GENERALLY ACCEPTED AUDITING STANDARDS

Generally Accepted Auditing Standards (the Standards), as approved by the membership of the AICPA, include general standards, standards on fieldwork and standards on reporting. The Statements on Auditing Standards (SASs) address the performance of auditing procedures and the objectives to be obtained using the prescribed procedures. The SASs also provide guidance concerning the application of the Standards to situations frequently encountered in financial audits.

GOVERNMENT AUDITING STANDARDS (Yellow Book)

The Yellow Book, issued by the Comptroller General of the United States, incorporates the AICPA Standards and provides a basis for relying on audits performed by non-Federal auditors by setting forth standards for an expanded governmental audit scope. These Standards must be followed for all audits. The Yellow Book was updated and expanded in August 1988, and became effective for audits beginning on or after January 1, 1989. As additional SASs are issued by the AICPA they will be adopted and incorporated into these standards unless excluded by formal announcement.

OMB CIRCULARS

Circulars A-128 and A-133 require audits to be performed in accordance with the Yellow Book. The Circulars include specific audit requirements that exceed the requirements as set forth in the Yellow Book and the AICPA Standards in the areas of internal control over Federal programs and compliances with laws and regulations over each major Federal program.

A-128

OMB Circular A-128, issued pursuant to the Single Audit Act, establishes audit requirements for State and local governments that receive Federal aid and defines Federal responsibilities for implementing and monitoring these requirements. These requirements focus on a single audit of the aggregate Federal financial assistance provided to a government with special emphasis on defined major Federal financial assistance programs. Audits are required as follows:

<u>Total Awards</u>	<u>Audit Required</u>
\$0-\$24,999	No Audit
\$25,000-\$99,999	Program or A-128 Audit
\$100,000	A-128 Audit

A major program is defined by A-128 as any program for which total expenditures of Federal financial assistance by the State or local government during the applicable year exceed the larger of \$300,000 or 3 percent of such total expenditures.

The audit and accounting guide entitled Audits of State and Local Governmental Units (ASLGU), issued by the AICPA, provides guidelines for conducting audits of Governmental entities. Statements of Position (SOP) 89-6 and 90-9 were issued by the AICPA to amend the example reports included in ASLGU.

The Compliance Supplement for Single Audits of State and Local Governments (Revised 1990) was issued to assist auditors in performing Single Audits of governmental units. The Supplement describes the requirements applicable to the largest Federal financial assistance programs and suggests procedures for testing compliance with those requirements. In addition to revising the requirements related to specific individual programs, the Supplement added new general requirements relative to the drug free work place, administrative requirements, and allowable costs/cost principles.

A-133

APPENDIX D: INDEPENDENT AUDITS

OMB Circular A-133, which supersedes Attachment F, subparagraph 2h, of Circular A-110, establishes audit requirements and defines Federal responsibilities for implementing and monitoring such requirements for institutions of higher education and other non-profit institutions receiving Federal awards. The Circular parallels the requirements of Circular A-128.

The following table shows when no audit is required, when a program audit may be elected, and when the A-133 single audit is required.

<u>Total Awards</u>	<u>Audit Required</u>	
	<u>One Program</u>	<u>More Than one Program</u>
\$0-\$24,999	No Audit	No Audit
\$25,000-\$99,999	Program or A-133 Audit	Program or A-133 Audit
\$100,000	Program or A-133 Audit	A-133 Audit

In addition to individual awards, the categories of Student Financial Assistance and Research and Development constitute major programs when total expenditures are the larger of \$100,000 or 3% of total Federal funds expended.

A-133, Attachment, paragraph 7 states, " Audits shall usually be performed annually but not less frequently than every two years." However, if the statute for the program requires an annual audit, then an annual audit must be performed. For example, Section 330 of the Public Health Act, which covers community health centers, requires an annual audit. A-133 would provide the guidance to be followed in performing the annual audit.

Although the Compliance Supplement for Single Audits of State and Local Governments was designed for audits of governmental units, its use is also applicable for the programs awarded to non-profit organizations. A Compliance Supplement for Single Audits of Educational Institutions and Other Non-profit Organizations is near publication. It will cover some of the other Federal programs which were not included in the State and Local Government Supplement as well as the general requirements.

SUBMITTING THE REPORT

In order to comply with audit requirements, audit reports submitted must:

- (a) Be performed on an organization-wide basis, and include all funds whether private, public, direct or pass-through Federal or State funds unless a program audit is allowable;
- (b) Include a complete set of financial statements; and
- (c) Contain the following:
 - o Schedule of Federal Financial Assistance
 - o Report on the Schedule of Federal Financial Assistance.
 - o Report on the Internal Control Structure in Accordance with Government Auditing Standards. This report must individually identify each internal accounting control and each control established to ensure compliance with laws and regulations that has a material impact on the financial statements (often called administrative controls).
 - o Report on Internal Controls (Accounting and Administrative) - Based on a Study and Evaluation Made as a Part of an Audit of the General Purpose Financial or Basic Financial Statements and the Additional

APPENDIX D: INDEPENDENT AUDITS

Tests Required by the Single Audit Act (or A-133). This report must individually identify each internal accounting control and each administrative control that has a material impact on Federal financial assistance.

- o Compliance Report Based on an Audit of General Purpose of Basic Financial Statements Performed in Accordance With Government Auditing Standards.
- o Single Audit Opinion on Compliance With Specific Requirements Applicable to Major Federal Financial Assistance Program (where applicable).
- o Single Audit Report on Compliance With Requirements Applicable to Non-major Federal Financial Assistance Program Transactions (where applicable).
- o Separate Communication of Immaterial Instances of Non-compliance (where applicable).
- o Management Letter (where applicable).
- o Separate Report on Fraud or Illegal Acts (where applicable).

In the event any of these required elements are not present, the auditor will be notified by phone and will be responsible for obtaining an acceptable audit.

Timely submission of the audit report is important. An audit report prepared in accordance with A-128 or A-133 must be submitted within 13 months after the end of the period covered by the audit report. OIG needs the copies of the audit report for each DHHS program plus four copies for internal distribution. (For example, with two programs, eight copies will be needed.) If it contains any findings, exceptions, or deficiencies, the OIG will control the resolution of those items with appropriate DHHS program staff.

FRAUD OR ILLEGAL ACTS

During the course of the audit, any indication or evidence of fraud or other illegal acts should be promptly reported to the top official of that entity as well as OIG. If that official is believed to be a party to such acts or otherwise implicated, the auditor should report to the OIG, who will provide the auditor with further instructions.

APPENDIX E: CASH MANAGEMENT IMPROVEMENT ACT (CMIA)

**BRIEF OVERVIEW
CASH MANAGEMENT IMPROVEMENT ACT (CMIA)**

PURPOSE	To ensure efficiency, effectiveness, and equity in the exchange of funds between the Federal Government and the States.
MAJOR PROVISIONS	<p>Federal agencies must make timely disbursements and grant awards to States.</p> <p>States and Federal agencies must minimize the time between the transfer of Federal funds to States and the settlement of States' checks, warrants, and/or EFT payment for program purposes.</p> <p>With minor exceptions, States will be entitled to interest from the Federal Government from the time States advance or "front" Federal funds for program purposes pending reimbursement. The Federal Government will be entitled to interest from States from the time Federal funds are in State accounts pending settlement of checks, warrants and/or EFT payment for program purposes.</p> <p>Treasury may charge responsible Federal agencies if they are found to be egregious or repeated in incurring Federal interest liabilities. To the maximum extent practicable, interest charges will be paid out of agency operating budgets and not from amounts available for program funding.</p>
Covered Entities	<p>All Federal executives agencies, with the exception of the Tennessee Valley Authority, are required to comply with the provisions of the CMIA.</p> <p>The fifty States, District of Columbia, Indian Tribes, American Samoa, Guam, Northern Marianas, Puerto Rico and the Virgin Islands, together with all their agencies (as defined by GAAP) instrumentalities and fiscal agents, are covered. Local Governments are specifically excluded.</p>

APPENDIX E: CASH MANAGEMENT IMPROVEMENT ACT (CMIA)

<p>Covered Programs</p>	<p>Effective July 1, 1993 or the start of a State's 1994 fiscal year (whichever is later) the twenty phase-in programs (below) will require coverage under CMIA, provided that these programs meet a State's individual threshold as derived from Single Audit data. If any of the programs shown below fail to meet a State's threshold**, coverage under CMIA is not mandatory. States may propose to cover additional programs, but in most cases, a State would need to lower its respective threshold and cover all additional federal assistance programs at the lower threshold level.</p> <p>Starting with each State's 1995 fiscal year, any major Federal Assistance Programs which are subject to enumeration in the Catalog of Federal Domestic Assistance (OMB publication) will require coverage under CMIA provided that a program meets a respective State's threshold.</p>
<p>Treasury/State Agreement</p>	<p>FMS will make every effort to sign an agreement with each State to specify the terms of CMIA implementation. Agreements include covered State entities and programs as well as funding techniques for drawing down benefit (program) funds as well as administrative and payroll funds. Agreements also include check clearance patterns, interest calculation methodologies and a description of and budgets for CMIA start-up and maintenance costs. States for which no Agreement is signed will be covered by the provisions of the default Regulations.</p>

APPENDIX E: CASH MANAGEMENT IMPROVEMENT ACT (CMIA)

<p>Funding Techniques</p>	<ol style="list-style-type: none"> 1) <u>Zero Balance Accounting</u> - draws of Federal funds are made on the same day that checks, warrants or EFT payments are settled. Generally, no interest liability is incurred. 2) <u>Estimated Clearance</u> - draws of Federal funds are made in increments to coincide with the estimated settlement of checks, warrants or EFT payments. Generally, no interest liability is incurred. 3) <u>Average Clearance</u> - draws of Federal funds are made to coincide with the dollar-weighted average date of the estimated settlement of checks, warrants, or EFT payments. Generally, no interest liability is incurred. 4) <u>Pre-issuance Funding</u> - draws of Federal funds are made prior, but as close as possible, to the settlement date of checks, warrants, or release of EFT payments for program purposes. An interest liability would be incurred by the State. 5) <u>Other</u> - other methods proposed by States and approved by Treasury.
<p>Major Federal Responsibilities</p>	<ol style="list-style-type: none"> 1) Ensure timely payments to States based on terms and conditions of funding techniques. 2) Monitor State payment requests and cash balances, ensuring that States are not drawing funds too early. 3) Review States' annual interest settlement reports for reasonableness. 4) Provide CFDA numbers when disbursing to States.

APPENDIX E: CASH MANAGEMENT IMPROVEMENT ACT (CMIA)

Major State Responsibilities	<ol style="list-style-type: none"> 1) Track drawdowns and clearance of Federal funds by program. 2) Abide by terms and conditions of funding techniques. 3) Prepare and submit annual Interest reports reflecting Federal and State liabilities. 4) Provide support documentation upon request.
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TOP TWENTY PHASE-IN PROGRAMS

The following programs will require coverage in a Treasury/State Agreement during the first year of implementation provided that funding for each program meets or exceeds a State's respective threshold:

10.555 School Lunch Program	84.010 Chapter I Local Education Agencies	93.568 Low Income Home Energy Assistance
10.556 Nutrition Assistance, Puerto Rico	84.027 Special Education - State Grants	93.658 Foster Care
10.557 WIC	84.063 Pell Grant Program	93.667 Social Service Block Grant
10.561 State Admins. Matching Grants	84.126 Rehab Services - Basic	93.778 Medicaid
17.225 Unemployment Trust Fund	93.560 Family Support Payments to States	93.807 SSI
17.220 JTPA	93.561 JOBS	93.959 Substance Abuse and Prevention Treatment
20.205 Highway Planning & Construction	93.563 Child Support Enforcement	